

**IN THE TABLOID:
9 PAGE OF MUSIC**

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Boy dies after falling eight floors in 'lift-surfing' craze

A mother warned children against the dangers of lifts yesterday after her 10-year-old son plunged more than 100 feet to his death while playing on the roof of an elevator at a Leeds housing estate.

Jean Illingworth described how she had also warned her son, Paul, about the perils of "lift-surfing", in which youngsters travel on lifts as they move up and down the shaft. Emergency Services were called to the estate in the Swardcliffe area of Leeds on Wednesday. Paul was discovered at the foot of the lift shaft, having fallen eight floors. He was rushed to St James's hospital, Leeds, but was pronounced dead on arrival.

Detective Inspector Bob Quantock of West Yorkshire police said: "It seems that youngsters found out how to stop the lifts and then jumped on top of them. They rode up and down in the darkness of the shaft". An inquest on the boy's death will take place next week.

James Mellor

Ad campaign backfires

Another mortgage company came forward yesterday to claim its free television exposure from the Direct Line financial services company as its latest advertising campaign turns into a major embarrassment.

Scottish Widows took up the so-called Direct Line Challenge on four faces of its customer service and appeared in three advertisements on primetime television last night paid for, as promised in the original challenge, by Direct Line. Direct Line has already had to accommodate First Direct in its commercials, and media buyers estimate that the airline it has given to its rivals is so far worth at least £500,000.

Paul McCann

Guitar man sells art collection



Rock guitarist Eric Clapton added £419,665 to his multi-million pound fortune yesterday after selling part of his collection of modern art.

All 32 lots in the collection, which included drawings by Degas and Matisse, successfully went under the hammer at Christie's in London. Modern art enthusiasts, as well as fans of the guitar genius, who won fame with the Yardbirds and Cream in the Sixties, packed the saleroom of the King Street auction house.

The success of the sale was apparent with the first lot - Sandro Chia's *Meditation* doubled its expected sale price within minutes, going for £87,300.

Woman's death was preventable

The death of a woman who was killed by her husband after he escaped from a probation hostel could have been prevented by health and social services, according to an independent inquiry published yesterday.

The man, from Middlesbrough, was convicted of manslaughter after killing his estranged wife in April last year. She had moved to Manchester to escape him. The report makes 18 recommendations, and says that Bromley Health Authority, the South East London Probation Service and Bromley Social Services did not communicate or work together to prevent the tragedy.

Smog alert for the weekend

The first summer smog alert of the year was issued yesterday as the Department of the Environment said many areas of England and Wales were likely to suffer poor air quality this weekend.

Poor ozone levels are forecast for England and Wales, while areas in south-west England and London may also experience poor nitrogen dioxide levels today and on Saturday, although "air quality is likely to improve on Sunday".

Air quality classified as "poor" means people with breathing problems, such as asthma or bronchitis, may feel a little uncomfortable. Sufferers are advised to consider increasing any treatment temporarily - and talk to their doctors about the options.

Teacher sues over sex allegations

A teacher at a private school resigned after he felt "driven out" by accusations that his son had sexually harassed foreign students in his care, an industrial tribunal in Ashford, Kent, heard yesterday.

Chas Brooks is claiming he was constructively dismissed from the Perry Court Rudolf Steiner School in Garlinge, near Canterbury, Kent, after the governing body refused to apologise for the allegations, which, he said, were "wholly untrue". Mr Brooks said: "I wrote to every girl who had ever stayed with us and every one wrote back saying nothing of the sort had happened. They were upset that the allegations had even been made." The tribunal was adjourned until today, when the school begins its case.

Mr Brooks, 48, was a class teacher at the 230-pupil school which charges £3,000-a-year for a unique education from the age of three to 18. Pupils are taught by one teacher who covers all subjects.

Court warning on cannabis for pain

A man who took part in Government tests using cannabis for pain relief was given a conditional discharge yesterday after he admitted cultivating the drug.

In what was seen as a test case, Andrew Betts, 30, was conditionally discharged for two years but warned by a judge that if he offended again he could face a harsher penalty. Betts pleaded guilty at Maidstone Crown Court to cultivating 45 cannabis plants at his home in Gillingham, Kent. The court heard he suffered from the rare disease familial Mediterranean fever and could legally take large doses of the pain-killing drug morphine.

Penelope Barrett, for the defence, told the court that Betts was not intending to sell the drug, and that by smoking it he could reduce his intake of morphine. Miss Barrett said Betts took part in a study approved by the Home Office in 1994. He was given capsules containing THC, a constituent of cannabis, which reduced his pain.

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people



Debbie Currie: Her ambitions are as a journalist, not a singer. (Photograph: PA)

Currie's spicy sauce was bait for Cook's confection

Debbie Currie's career as a pop singer has been revealed as a hoax designed to expose the alleged rigging of the charts.

The daughter of the colourful former Tory MP, Ed. Currie, entered the national consciousness in a blaze of sleazy stories about her sex life and a salacious picture wearing little more than two fried eggs.

However, she claimed yesterday that although her first single, "You Can Do Magic", has reached number 36 in the charts, her ambitions are as a journalist rather than as a chanteuse.

It emerged that Ms Currie posed as a wannabe star for Carlton TV's *The Cook Report* to show that record companies are using teams of buyers to boost sales of CDs.

Major music companies flood stores with cheap or free singles and pay shop assistants to swipe through their CDs, registering fictional sales, according to the programme's investigation.

Ms Currie said: "I felt it was very important to show the things that happen in the music industry because it's a huge industry in this country and hundreds of thousands of people are being cheated by it."

Roger Cook said his company had deliberately manufactured Debbie as a pop star and printed 30,000 copies of her single, a remake of the Seventies hit.

The programme, which will be shown in two parts starting next Tuesday, had then sent out a team to "buy back" about 800 copies from some of the 3,000 supposedly secret chart retail shops used to compile the weekly top 100, he said.

If true, the programme's claims would confirm rumours that have plagued the music industry for years. Part of the creation of Ms Currie's image as a pop star involved tabloid revelations about her private life, in which she claimed she lost her virginity at 15 and once enjoyed a four-in-a-bed sex session.

However, Mr Cook denied the publicity had overshadowed a serious investigation.

He said: "As long as the point is still made, I think it doesn't matter. I think Debbie did a terrific job and I don't think of myself as a television personality at all."

Ms Currie, who had been working as a trainee news reporter at Central TV before joining *The Cook Report*, said she had felt "some bits" of the publicity were humiliating, although she regretted nothing.

"I wasn't surprised by the attention so much because I had to a certain extent grown up with that."

Fulham and Fayed is match of the day

Mohamed Al-Fayed, the owner of Harrods, yesterday became the chairman and major shareholder of Fulham Football Club.

And the business tycoon immediately pledged to invest heavily in the club and restore it to its former glory. A spokesman for Harrods said the Egyptian-born businessman would invest up to £20m in the club.

The takeover follows the resignation by the television pundit and former Fulham player Jimmy Hill as chairman last week.

Hill had said he would welcome a successor with the financial muscle to make the necessary improvements to the club's ground, Craven Cottage. The stadium by the banks of the Thames in west London is only a short drive from Mr Fayed's famous store in Knightsbridge.

Mr Fayed said: "I am delighted to have this opportunity to invest in such a great and historic football club which so many people hold in high esteem."

"I am totally committed, both personally and financially, to the plans for the revival of the club and I look forward to sharing a bright future with the loyal fans."

The vice-chairman, Bill Muddiman, will continue in his position, and the financing will be provided by his family - including his son, Andy, another director - and



through Mr Fayed's company Fulham Leisure Holdings.

The deal will mean new players as well as stadium improvements for Fulham, who have just been promoted to the second division.

The shareholders want to increase the capacity of the stadium from its present 15,000 to 25,000. An earlier plan for a residential development as part of a revamped stadium has been shelved.

Bill Muddiman said: "For Andy, myself and other members of the board this marriage between Fulham FC and Mr Fayed is our dream scheme come true."

"It presents a wonderful opportunity for our football club to take its place where it belongs - at the top."

One man and his cruelty to dogs

Gwyn Jones, a British sheepdog trial champion, showed a "wicked disregard" for the suffering of five of his dogs, three of which had to be put down.

Jones, 45, from Penmachno, near Betws-y-Coed in north Wales, who won the British championship three times and is the current Welsh champion, denied the five charges of causing unnecessary suffering brought by the RSPCA.

But he was found guilty yesterday by Llandudno Magistrates' Court. All the dogs were emaciated, underweight and dirty and had skin problems.

Chris Dawson, for the prosecution, said "all five dogs were quite knowingly caused unnecessary suffering and in relation to the two older dogs (Meg and Kiki) the defendant acknowledged they were in a poor condition."

"The defendant wholly failed all five dogs and showed what can only be regarded as a wicked disregard to the suffering he forced them to endure."

When an RSPCA inspector called at his farm, Jones said: "I feed my dogs, I fill their tins up. I have not been well and have been receiving treatment."

After fining Jones £2,000 and ordering him to pay £1,750 towards the RSPCA's costs, the magistrates' chairman Owain Evans said: "We feel you have been extremely negligent... and should have known these dogs needed proper care."

Matthew Brace

briefing

SOCIETY

Irishmen are Europe's worst for helping out in the home

Marry a Dane but avoid an Irishman appears to be the best advice for any woman wondering how best to juggle children, meals and housework with the demands of a full-time job.

A study by the European Commission confirms that most European states are still playing a marginal role when it comes to childcare. Worst offenders are Irishmen, Greeks, Italians, Spaniards, and Luxembourgers, while only in Denmark and Holland can women expect anything verging on equal partnership.

One in three women in the EU is classed officially as a housewife. But the housewife seems an illusory creature, with less than 1 per cent of men aged 25 to 39 staying at home full-time. Ireland has the highest percentage of housewives, with 60 per cent of women in the 25 to 39 age bracket remaining at home to look after children and take care of household chores.

In Spain, Greece, Italy and Luxembourg the percentage is also more than 40%. Housewives as a percentage of the British population have fallen to below the EU average. The housewife is rarer in France, Portugal and Belgium and almost extinct in Denmark where only 4 per cent of women opt to work exclusively in the home.

Katherine Butler, Brussels

HEALTH

Macho Britons ignore burning issue

Stubborn British men are running a high risk of skin cancer because they believe, wrongly, that they rarely burn.

According to the Health Education Authority (HEA), almost a third of men thought they were safe from the harmful effects of the sun's rays. Only one in five women held the same view.

The survey also discovered that men were far less likely to use sunscreens. The cumulative effect was that 29 per cent of men reported having been burnt during the last year as opposed to 23 per cent of women.

Despite the growing number of skin cancer cases, more than 40,000 last year, the HEA has many have not got the message. The problem has been exacerbated by millions taking to foreign beaches each summer with sunburn ignoring the need for sunscreens.

James H.

MEDICINE

Aspirin 'can prevent strokes'

Aspirin, the everyday treatment for everything from headache to heart attacks, can also help prevent strokes, researchers claim today. They said that aspirin should be given immediately to people who have ischaemic strokes - those caused by blood clots.

But other experts called the findings inconclusive even though there is no suggestion that giving aspirin could do any harm. Concern has emerged that aspirin, which can cause internal bleeding, could be harmful to stroke victims.

Two trials of 40,000 stroke patients - one involving 36 countries and one based in China - found aspirin slightly decreased the risk of death in the first two weeks after a stroke.

Peter Sandercock, of the University of Edinburgh, who helps co-ordinate the international trial of 20,000 patients, said: "It's good to find the cheapest, easiest treatment is the best."

The study, published in the *Lancet*, compared aspirin with heparin, another drug used to help prevent blood clots. It found heparin slightly increased the risk of haemorrhagic stroke.

POPULATION

Pregnant woman dies every minute

A woman dies every minute from pregnancy-related problems, largely because of a lack of adequate contraception, according to the latest United Nations Population Fund Report.

Many women were coerced or pressured into pregnancy, or simply had no way of preventing it. *The State of World Population*, found, it concluded that up to 150 million more women would use birth control if it was available and that at least 75 million pregnancies each year are unwanted. "For many women, denial of sex and reproductive rights is a matter of life or death," said Dr Naftali Sadik, executive director of the UN Population Fund.

She said there had been a decrease in the rate of growth in the world's population and was confident it would stabilise at about eight billion by 2050, instead of the projected 11 billion.

Jojo Moyes

MOTORING

The car with forward thinking

The car of the future will be able to alert the breakdown services before it fails, and contact the police if you have had a crash, even if that has left you unconscious.

Other applications that will become available in cars by 2000 include personal guidance on a journey and low-cost in-car systems telling you where traffic congestion is worst.

New cars being built by Vauxhall will include a "black box" called Onstar, which will integrate a mobile phone system with the car's electronic engine management system chip and a Global Positioning System (GPS) location finder.

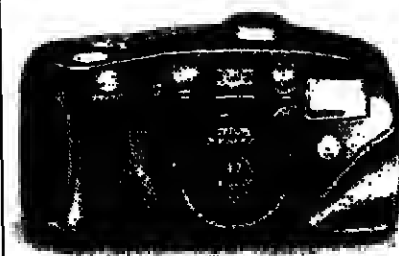
Using data beamed via the mobile phone, the car could alert breakdown services when problems developed - and if the airbag was set off it could also call out ambulances. The system will cost about £600.

Charles Arthur; Leading article, page 21

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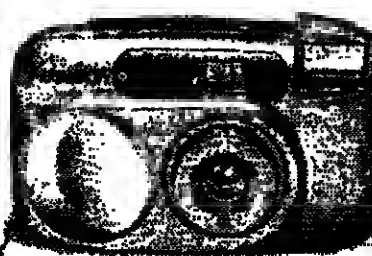
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Britain enjoys a summer of money

Michael Streeter

In years to come, the middle months of 1997 will be remembered as the Summer of Money.

The massive flotation of Halifax building society, which begins on Monday, is just the biggest in a series of "de-mutualisations" or takeovers which will punctuate this summer, releasing up to £29bn into consumers' pockets.

An estimated one-third of all adult Britons are likely to benefit from the windfall pay-outs — from the Woolwich and Northern Rock building societies, and insurance companies. Norwich Union and Scottish Amicable — and while most of the money will be saved, up to one quarter will be spent within 12 months.

Homes and holidays seem to be the most likely areas to benefit from the summer boom as recipients choose between spending their £1,000-plus sums on a holiday or installing a new kitchen.

Money spent on cars, debt repayment and extra investments seems a less popular option.

Travel agents and builders are not the only winners in the Summer of Money. The total cost to building societies and insurance companies of converting their status is around £480m, of which the Post Office will probably receive around £80m in mail shots alone.

Other costs include new computers and extra staff, but the single biggest winners will be the City. One conservative estimate is that around £100m in fees will be shared around various advisers, including merchant banks, brokers, lawyers, accountants and public relations firms.

Some high-flyers will pick up huge bonuses next year for this work, some perhaps up to £1m. The prospects for staff at law firms such as Linklaters & Paines, who have won work on four of the conversions, and brokers Cazenove & Co, who are working on three, are especially bright.

The directors of the societies and firms at the centre of the conversions will not be losers either, as their pay, probably linked to profits, is likely to rise steeply. However, with the

exception of the Alliance & Leicester, whose chief executive Peter White has an option on 125,704 shares (at 53p each) in three years, none of the companies have plans to award its directors free shares or options.

Yet the money spent in the City on the changes is dwarfed by the huge sums cascading into people's accounts this year.

A recent survey from the insurance company Legal & General predicts that, in descending order, money will be spent on holidays, home improvements and furniture.

And in the latest test of consumer confidence for the European Commission, market researchers GfK have found a significant leap in public optimism. In their report, economist Ben Sanderson, of Nottingham Trent University, says: "There is interesting evidence which suggests that consumers may well spend rather than save these share handouts."

Steve Radley, chief economist for the Henley Centre for Forecasting, predicted an exciting period ahead, with an "unprecedented" amount of money available to consumers.

"People generally are more cautious nowadays but at some time there's a need for luxury and the windfall fulfils that need."

He said there was also a feeling that the injection of money could help kickstart the housing market, and that some people have postponed moving until they receive money which can help pay fees.

A spokeswoman for Thomson Holidays said the company had brought out its 1998 summer brochures deliberately to attract those with bonuses.

She said sales were already "encouraging" but thought the main business may come after the impending Halifax and Norwich Union share outs. "We are hoping for — and expecting — a surge [in business] when the payments are released later this year."

Market research indicated that of those who will spend their extra money — much of it within a year — 51 per cent will spend it on holidays, she said.

B&Q, the country's largest DIY chain, said sales were already healthy, but hoped it would benefit from any extra spending. "We are confident that some of the money will go on home improvements and hopeful that a chunk [of the windfall payments] will come to us," said a spokeswoman.

Stephen Moon, director of the National Federation of Builders, said his research showed the amount of work on home improvements was still in decline. "It's a long overdue area of expansion," he said. People had clearly delayed their repair and improvement work and he was confident that some would use their windfalls for this.

A spokesman for the Society of Motor Manufacturers and Traders said it was still unclear what impact the new money would have on sales though they expected the private car business to increase.

Winners and losers in a modern-day game of Monopoly

£5,000 for no effort

Derek Grant (below) opened his first savings account with Norwich Union at the age of four. There was never a hard choice in the matter: his late father worked there as a fund manager, while his brother is still employed by the company.

In two weeks' time, following in his family's footsteps will net him 1,300 free shares worth up to £5,000, when Norwich Union becomes the first UK mutual insurer to seek a stockmarket flotation.

His free shares form part of a payout from Norwich Union worth an estimated £3bn to its 2.4 million policyholders. The minimum payment of 150 shares will go to unit-linked policies. With-profits members will receive 300 shares, worth up to £1,000, with more paid



according to the amount and length of time invested.

His shares are not the only cash benefit he has received from Norwich Union. When Mr Grant, a senior systems consultant with Siemens Plessey, bought his first home in Ryde, on the Isle of Wight in the late 1970s, he took out two of the company's endowment policies to help to pay off his mortgage.

When they mature later this year, they will earn him £29,000, easily paying off his £10,000 loan. He and his wife plan to use part of the surplus from the maturing policies to visit their daughter, who is studying in St Petersburg.

The cash payout means he has no need to sell his Norwich Union shares. "We are also planning to make use of the 25p a share discount available to members and buy a further £3,000-worth of shares. The company has delivered as far as I am concerned," Mr Grant said.



Error costs £1,500

The Halifax, on the other hand, has not delivered anything quite so tasty to Ian Strang (below) and his wife Marjorie. They have discovered that a tiny error with one of their accounts will deprive them of an estimated £1,500 in free shares.

The Strangs, who live on a houseboat in London, have a Halifax mortgage on a home in Stockport. They have also held a savings account with the society, set to float on Monday, for more than 13 years.

Estimates suggest each share could be worth up to £7.20, with average payments to members from the £16bn conversion reaching £2,000. The Strangs might have been in line for £2,900.

Except that, many years ago, the couple signed a standing



order form allowing the society to withdraw mortgage payments from their account on the 27th of each month. Despite this, payments were always taken on the 1st or 2nd of the following month.

Until December last year, when the Halifax set the 31st as the date when society members had to have a minimum of £100 on deposit to qualify for free shares. On this occasion the Halifax took its mortgage on the day it was entitled to, leaving the Strangs with less than £100 in their account. "We don't even talk about it any longer because it just makes us so angry," said Mr Strang last night.

Similar rules have been devised many tens of thousands of members, including second signatories who are mentally or physically handicapped, of their potential entitlement, one reason why the rest will receive such generous share entitlements.

The Nationwide could be the next to yield

Nic Cicuttini
Personal Finance Editor

More than 5 million members of Nationwide, the largest building society still committed to mutualism, will vote — albeit indirectly — next month on whether they want to join in the conversion bonanza that could net them up to £1,500 of free shares each.

Nationwide members voting to elect their main board will be able to choose among five rebel candidates from Members for Conversion, a group campaigning for the society to float on the stock market.

The vote is a key test for Nationwide. If the five, who include Michael Hardern, a veteran pro-conversion campaigner, are elected or even come close to winning seats on the board, the society would come under heavy pressure to change course and prepare for flotation.

A Nationwide spokesman said: "We are a democratic organisation and members have a right to choose those whom they

want. However, our concern is in terms of their [Members for Conversion's] ability to act as directors. They do not appear to have any experience in managing this sort of organisation."

The Nationwide's decision would in turn have critical implications for other pro-mutual societies, including Bradford & Bingley, Britannia and Yorkshire. They have all defended the benefits of mutualism, pointing to the large "loyalty" bonuses, involving higher savings rates and lower mortgages, they now pay to their members.

As long as any share handout was worth between £800 and £1,000, the mutuals could argue their payouts would match that amount over six or seven years. In recent weeks, rocketing share prices in the banking sector have altered the issue. Mr Hardern said: "There is no mystery why 97 per cent majorities have voted for building society conversions when asked, especially when what was billed as £1,000 in free shares turns out to be nearer £2,000."

... but interest rates are the cloud on the horizon

Diane Coyle
Economics Editor

If every silver lining has its cloud, with this year's consumer windfalls it is the prospect that the Bank of England will raise the cost of borrowing again next week to stop the national spending spree getting out of hand. If it does, those £1,000 cheques will carry the penalty of an extra £10 a month on the typical mortgage.

Most economists started out last autumn assuming that people would save the bulk of the handouts they got in the form of shares from building societies joining the stockmarket, and would spend perhaps a tenth of it. But opinion surveys, and the first couple of flotations, indicate that up to one-third of the money will be spent.

In addition, estimates of the size of the total windfall have

grown to stand at about £29bn now.

That could mean £10bn extra flowing into high street tills during the next two years, compared to an annual consumer spending total of £470bn.

A quarter of the Halifax's beneficiaries have said they will sell their shares immediately, making that £3bn-4bn burning a hole in people's pockets next week.

"This is free money. It's there to be spent," said Claran Barr, an economist at City investment bank Deutsche Morgan Grenfell. "We run the risk of an outright boom. But the authorities will be much faster to react by raising interest rates than they were in the late 1980s."

The risk of a consumer boom arises because the share windfalls are arriving on top of rising real incomes, falling unemployment, and a strong recovery in the housing market.

Michael Dicks, a City expert at Lehman Brothers, estimates that £10bn extra will "leak" into consumer spending from rising house prices alone.

If there is a single symbol that captures the risk of an impending Eighties-style boom, it is that two of the fastest-expanding retail chains are specialist candle shops and coffee bars selling £1.80 cappuccinos.

Although the big high street retailers complain that shoppers remain very cost-conscious, and their business is certainly not booming, the official figures show that we are starting to spend our money much faster on some items. "Big ticket" items like computers and furniture have done well, so have meals out and leisure activities.

Yet it is a safe prediction that the Bank of England, exercising its new independence, will

not let things get out of hand this time. Its recent *Inflation Report* indicated a clear preference for further rate rises, and soon.

Mortgage lenders would be likely to follow another move by the Bank, perhaps as early as next Friday, adding up to £10 a month to the typical £50,000 mortgage. This would follow a similar increase earlier this month.

How much further loan costs would have to go will depend on how much the beneficiaries of all this free money decide to spend in the end.

It might be that most of us will decide to splurge only £100 of our £1,000 cheque — that would buy 36 fancy cappuccinos or a hundred scented beeswax candles — and put the rest away for a rainy day. But if spending starts to race away, the Bank will be swift to apply the interest rate brake again.

JERSEY ROYAL NEW POTATOES

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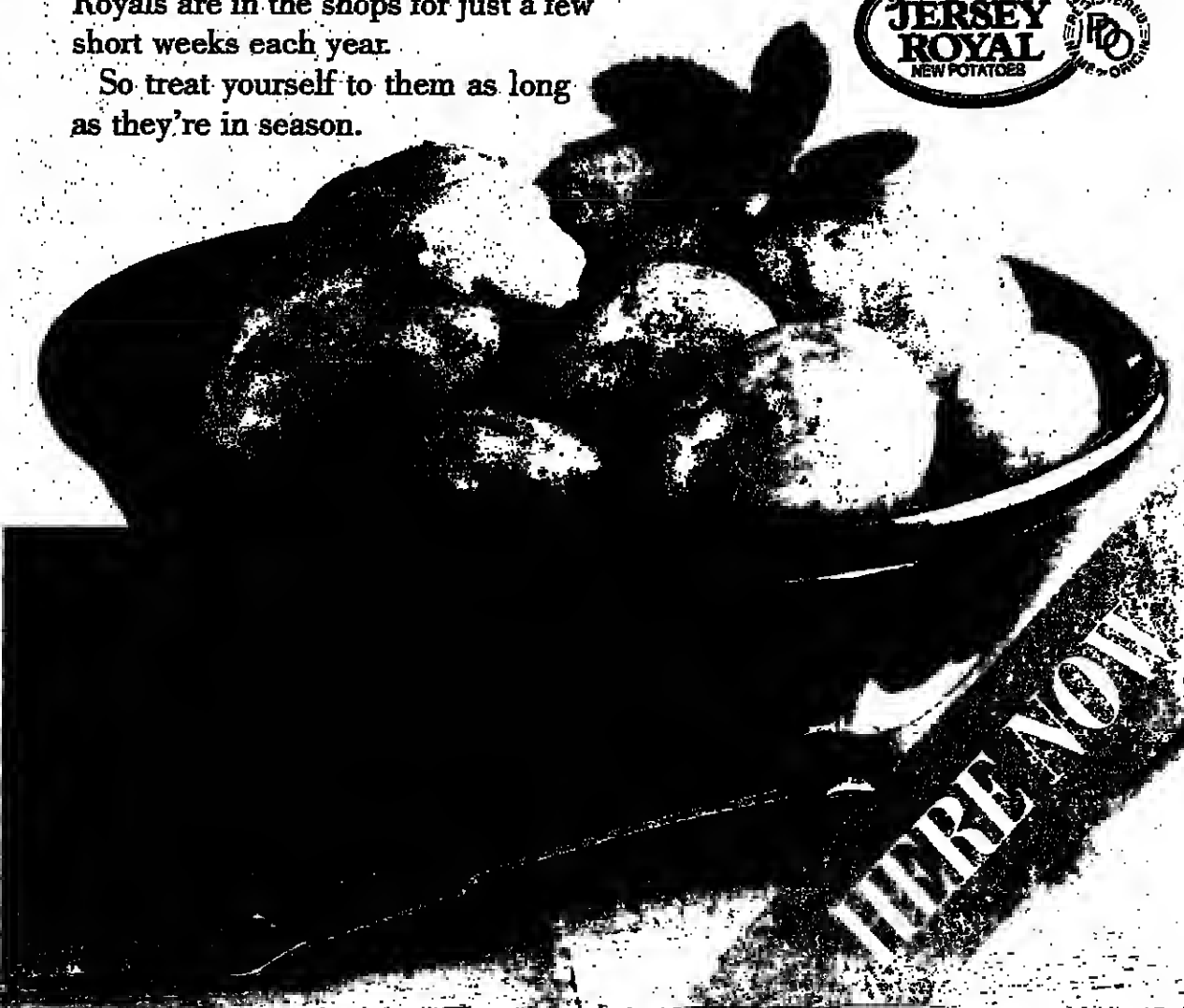
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Woman ignored Aids risk, Cyprus trial told

Ian Burrell

The Cypriot fisherman accused by his former British lover of knowingly giving her Aids told police investigating the case that she already had the virus.

Pavlos Georgiou said in a written statement that divorcee Janette Pink insisted that they have unprotected sex even after she knew that he was HIV positive, the district court in Larnaca, Cyprus, was told. "In my opinion, only a woman who is also a carrier of Aids would do this," he said in his statement.

Mrs Pink, 45, alleged last week that Mr Georgiou, 40, had lied to her that he did not have the virus when they began an affair shortly after she went to live on the Greek island in 1993.

The police statement was produced as part of the prosecution evidence against Mr Georgiou, despite protests that it was inadmissible.

Tassos Economou, for the defence, said police had only taken a statement because of pressure brought by the British government for his client to be charged. He said the fisherman was told by police officers that the statement was a formality to close the case, and was taken without the police having reasonable suspicion or testimony linking Mr Georgiou with the allegations made by Mrs Pink.

The objections were overruled by Judge Antonis Liasios, who said that the statement had been given willingly.

Mr Georgiou told police: "Anyone who says that I had sex with Janette Pink without knowing I was HIV positive is a liar." He said that both his



Georgiou: Unprotected sex

daughter and his mother-in-law had told Mrs Pink he was an Aids carrier and that his wife Martha had died of Aids in August 1994.

Mrs Pink said in her evidence that she had been told by Mr Georgiou that his wife was dying from leukaemia.

In his statement, Mr Georgiou said that Mrs Pink knew he had Aids before there was sexual contact. He did not tell her he was HIV-positive when they first met, but later when she asked him what had been said to her by his daughter and mother-in-law, he said he was an Aids carrier.

He said he was surprised by her allegations, which he read in newspapers. "Janette knew I was an Aids carrier and continued to be with me."

Mr Georgiou tested HIV-positive in June 1992 after his wife told him she had the virus. He and Mrs Pink continued to have sex without precautions and at the beginning of 1996 she

became pregnant. "I forget to mention that before Janette became pregnant she had tested positive at a clinic."

He said doctors advised her to have a termination as it was likely her child would be born with Aids. She followed their advice and had an abortion in Nicosia.

Earlier yesterday, Aids specialist Dr Athanoulis Neou supported Mrs Pink's earlier evidence that she did not have the virus during the early part of the relationship.

Dr Neou told the court Mrs Pink visited her in March 1994 requesting a test for Aids and venereal disease. Both were negative. She returned to the same clinic six months later, but this time the test was positive.

The trial was adjourned until Wednesday.

Law fails disabled, says police officer

Michael Hanlon

A police officer who spent two-and-a-half years bringing to justice three care workers who abused more than 40 mentally handicapped adults in their care has spoken out of his frustration with the way the law treats victims and witnesses with learning difficulties.

She claims that the pressure for quick prosecutions dis-

suades the authorities from following up difficult cases of abuse of the mentally disabled, and that the public have little interest in the fate of this "minority group".

Constable Madeleine Stewart, of Thames Valley Police, investigated allegations of mental, physical and sexual abuse in two care homes

for the mentally handicapped in Stoke Poges, Berkshire.

On 14 May, three staff at Stoke Place Mansion House and Stoke Green House were convicted of abusing residents in their care. Desmond Tully, 42, Angela Rowe, 39, (the director of the homes), and Lorraine Field, 42, were found guilty at Kingston Crown Court of physically and mentally abusing

more than 40 of the 70 disabled adults living in the homes over a period of 11 years. They will be sentenced next month.

Speaking on the BBC Radio 4 programme *Does He Take Sugar?* last night, DC Stewart said the law made it difficult to bring prosecutions against those accused of abusing people with learning difficulties. She said both the Crown Prosecution

Service and the police were reluctant to take on such cases.

"They know that the law does not protect these people. They can only work with the law as it exists," she said.

Alun Michael, the Home Office minister responsible for criminal policy, promised a review of the way people with learning difficulties were treated by the courts.



Swan song: Derek Deane, English National Ballet director, giving instructions during rehearsals for last night's performance of Swan Lake at the Royal Albert Hall. Photograph: Laurie Lewis

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Triple whammy: George Michael, surrounded by security men, leaving the Ivor Novello awards in London yesterday, where he won the Songwriter of the Year award for the third time. In accepting the accolade, the singer paid tribute to his mother, who died in February

Lottery chiefs on a roll for more bonuses

Steve Beggan

Camelot was embroiled in a new fat-cat row last night after it admitted that its directors were heading for another two bonuses this year, despite bringing in less money for good causes.

The National Lottery organiser told *The Independent* that its top executives would be paid 43 per cent of their salaries as bonuses next month, with a further 35 per cent to follow in October, for their performances in the year ending March 1997 – a year in which profits fell from £51.1m to £46.8m.

The Government reacted with fury yesterday to the news that directors' pay increased by

an average 40 per cent last year – in one case 90 per cent – when leaked figures showed the company's contribution to good causes was set to fall from £1.416bn to £1.272bn.

Camelot countered that the big pay rises included bonuses based on its performance in 1995-96, when sales topped £4.7bn. The bonuses, it said, were paid last June – a year in arrears – but were in recognition of the success of that year.

However, when pressed over the bonuses to come in June for the poorer performance in 1996-97, a company spokeswoman said they would amount to 43 per cent. That, she said, was down from 50 per cent in recognition of the lower profits.

The Government reacted with fury yesterday to the news that directors' pay increased by

Secretary of State for National Heritage, and Sir George Russell, chairman of Camelot. So incensed was Mr Smith by last year's pay rises that he summoned Mr Russell to his office yesterday. However, Mr Russell is in Canada and is now expected to attend on Monday.

A spokesman for the Department of National Heritage said Mr Smith had been unaware of the latest set of bonuses before he warned that he was considering terminating Camelot's contract to run the lottery before it runs out in 2001.

"I am going to say very clearly [at the meeting] that the very key message that the National Lottery is for the prize winners and for the good causes," Mr Smith said. "It is not for profit; it is for the good causes."

Camelot said directors' pay had been independently assessed and was in line with the market rate. Last year, David Rigg, communications director, was given a 90 per cent pay rise, from £175,000 to £333,000; Tim Holley, chief executive, received a 53 per cent increase to £590,000; David Clark, director of operations, got a 42.8 per cent rise to £347,000; and Peter Murphy, who deals with legal matters, tax and payouts, saw his pay rise by 76 per cent to £361,000.

Paul Valley, page 19

Vitamin study shows millions need daily help

Jeremy Laurance
Health Editor

Unrecognised vitamin deficiency may be affecting millions of people because their genetic make-up affects their capacity to absorb nutrients from food, scientists say.

Nutritionists may have to rethink their advice on vitamins, which is based on recommended daily levels for a normal person, because there may be no such thing as a "normal" population when it comes to dietary needs, according to researchers at Trinity College, Dublin.

A study of one vitamin, folic acid, has shown that one in eight people in Britain have a genetic mutation which reduces their capacity to absorb it from food. Folic acid, contained in green vegetables and as an additive in many breakfast cereals, is essential for women in pregnancy to prevent spina bifida and related birth defects, and is also believed to protect against heart disease.

Tests on 500 women showed that those with mutant copies of the gene that controls the absorption of folic acid by the body had significantly lower levels of the vitamin in their tissues. The gene codes for an enzyme that enables the folic acid to act

within the cells and the mutant version greatly reduces the efficiency of the enzyme. The less efficient the enzyme, the greater the quantity of folic acid required in the diet.

Professor John Scott, head of the department of biochemistry at Trinity College, who led the research team, said the findings, reported in the *Lancet*, had changed his attitude to vitamin supplements. "Until recently I took the view that anyone who ate a normal balanced diet did not need vitamin supplements. I no longer think that. We know people have differences in the way they metabolise drugs but this is the first time anyone has shown that people have differing requirements for nutrients."

The findings will strengthen the argument for adding folic acid to the national diet as introduced in the US. More than eight out of ten women who have spina bifida babies consume normal levels of folic acid but if those are increased to "high normal" levels they can cut their risk of a subsequent spina bifida baby tenfold, from eight per 10,000 births to 0.8.

Professor Scott said it was likely that people's capacity to absorb other vitamins such as A, C and D could be affected by other genetic mutations.

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DAILY POEM

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Unlikely partners to reform schools

Lucy Ward
Education Correspondent

A school improvement group widely revered by the education establishment and a government inspector regarded as a bogeyman by teachers are being brought together on a new school standards task force being unveiled today.

David Blunkett, the Secretary of State for Education and Employment, is to announce that Professor Tim Brighouse, director of education in Birmingham, and the chief inspector of schools, Chris Woodhead, will be appointed vice-chairmen of the new body charged with spearheading the Government's standards drive.

The task force will be responsible for identifying and promoting "what works" in state education, senior government sources said yesterday — in line with Labour's intention to banish dogma and division in the crusade for higher education standards.

The combination of Professor Brighouse, whose wide-ranging educational initiatives have impressed teachers in his authority, and Mr Woodhead, a hate-figure among the profession after claiming 15,000 teachers were incompetent, will astonish many.

Professor Brighouse, who won an out-of-court libel victory over John Patten after the former Tory education secretary branded him "a nutter", is a long-standing critic of the schools' inspection regime under Ofsted.

the schools' watchdog body headed by Mr Woodhead.

At an education debate in January, Professor Brighouse spoke of a "massive Ofsted caravan which is rushing around the country" and added: "We are living in a reign of terror."

The chief inspector's appointment to the task force, to be chaired by Mr Blunkett, is being seen by some observers as a means of limiting his capacity to criticise government education policy. His outspoken attack on teachers under the previous administration prompted accusations of politically motivated interference from teachers and the education establishment and embarrassed Gillian Shephard, when she was secretary of state.

Don Foster, the Liberal Democrats' education spokesman, described the appointment as "a clear attempt to rein in the chief inspector". He said it was an attempt to bring him into the fold and ensure that "before he makes any of his over-the-top remarks he is required to discuss them with other senior people and this must be to the good of other people."

News of Mr Woodhead's role provoked outrage among headteachers last night. At the National Association of Head Teachers' conference in Scarborough, North Yorkshire, the union's general secretary, David Hart, said that the announcement would be regarded like a "red rag to a bull", which risked undermining the work of the new task force in the eyes of the



Morning service: Children at the Royal School, in Windsor, Berkshire, praying at morning assembly

Photograph: John Lawrence

Heads seek end to daily prayers

Headteachers yesterday challenged the Government to end schools' obligation to hold a daily religious assembly, writes Lucy Ward.

Delegates at the National Association of Head Teachers conference called for the law requiring a daily act of mainly Christian collective worship to be revised in consultation with teachers, governors and religious groups. Forcing schools to hold morning prayers was a "hypocritical act" which could do more harm than good.

The demand, supported, with only one dissenting voice, reinforced long-standing opposition among heads and teachers to the legislation on worship in schools. Many schools quietly break the law on a daily basis, partly through reservations over the value of religious assemblies and partly through practical difficulties — particularly in secondary schools in gathering all pupils together in a hall at once.

Simon Marsh, head of St Mary Magdalene School in Islington, north London, said worship was by definition "a voluntary act of homage, praise and love freely given to the God one serves".

He added: "I am convinced that to enforce a hypocritical act does more harm to faith than anything else."

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The education director and 'bogeyman' have their say

Sayings of Brighouse:
1988: "Of course you really believe in social justice and in kids escaping from mental slavery... you have to provide the resources [for education] on equitable basis."

"It really can't be right that people can buy for their children more resource to enable them to be more able citizens. Children do have equal rights to become mature and contributing adults."

1995: "Perhaps this is a naive view, but I believe that everyone who goes into teaching or is involved in teaching wants to change the world for the better."

"Every political party is interested in school improvement and this is the major time on the educational agenda generally. How to keep schools on an upward spiral of achievement will help any party that has school improvement on its political agenda."



Sayings of Woodhead:
"Of course teachers' morale and self-confidence are important. But there's a crucial distinction between self-confidence and self-delusion. There is no point in having a heady force high in morale but not teaching children very well."

"The problem lies not with head teachers but with people who purport to speak for the teaching profession whose reputations have been based on a partial way of thinking. Their whole academic status and credibility is now being questioned. Local authorities understandably feel defensive about their record. But the head teachers are listening."

"There can be no solution until the problems are acknowledged. For the first time, parents have access to reports at individual schools and are, therefore, in a position to make an informed choice about the school that is right for their child."



Labour implements its first closure

Lucy Ward

The Government yesterday approved the shutting down of the first school on the ailing list to be closed since the general election.

St Richard of Chichester Roman Catholic Secondary School, in Camden, north London, has been under special measures with little sign of improvement after failing its inspection three years ago and plans to shut it were due to be approved by Gillian Shephard, the former secretary of state, for education when the election was called.

The school will not close until the end of the summer term next year, but most of the 254 pupils will be sent to neighbouring schools in September. Those currently on GCSE courses will stay to take their exams in a year's time.

Camden local education authority cited unacceptable educational standards and rapidly falling rolls at the school when it sought government permission last January to close.

The Schools' Standards Minister, Stephen Byers, yesterday said the school had failed to

make the necessary improvements in standards of pupil achievement to restore it to health, and had lost the support of the local Catholic community over the past five years.

Camden LEA and the school inspection agency Ofsted felt the closure would help to raise educational standards throughout Camden, Mr Byers said.

Government approval just a month after the election showed ministers were prepared to act "with the utmost rigour" to ensure that all children received a high-quality education. "We shall not maintain schools simply for the sake of it," he said.

"Persistent failure in our schools cannot be tolerated and there is clear evidence that St Richard of Chichester has let its pupils down. It has failed to raise standards through three years of drift. The closure of this school will allow a better education for all its pupils because they have only once chance of a decent education."

Camden's director of education, Bob Litchfield, welcomed the clearance for closure, saying the decision removed a "cloud of uncertainty hovering over the school." The authority would continue to provide parents with support, help and advice in finding places in other schools in Camden and surrounding boroughs, he said.

Camden invested substantial extra funds in St Richard of Chichester, spending £500 per pupil more than any other secondary school in the borough. However, pupil numbers fell from 633 in January 1994 to 400 in September 1996, only to plummet further by this summer.

DAILY POEM

Against a Rat

By John Heath-Stubbs

Ramus norvegicus, your name disgraces
The homeland of Ibsen and of Grieg.
But you came sneaking out of Tartary
In the stinking holds of Muscovy ships,
And now you inhabit dishonoured London —
Dishonoured by piles of foetid garbage.
Bones of chickens that never saw Kentucky.
Only the inside of a battery-prison.
Greasy chip-papers, half-eaten hamburgers,
All the detritus of fast, so-called food.
Creep back to the sewers you've come from —
If your inglorious brothers there will accept you.
I'll banish no more verses with you, you git —
So just git!

"Against a Rat" comes from the "Ninefold of Charms" series in John Heath-Stubbs's *The Tortoise Sequences* — work, mostly "light poems", that he first performed at the Tortoise Arts Meeting House in Kentish Town, north London. The other "charms" designed for modern contingencies include one "For Unblocking the Sink" and one "To Discourage a Spider from Getting into the Bath". *The Tortoise Sequences*, with pictures by Emily Johns, is published by Hearing Eye at £9.99 and distributed by Airlift Book Company.

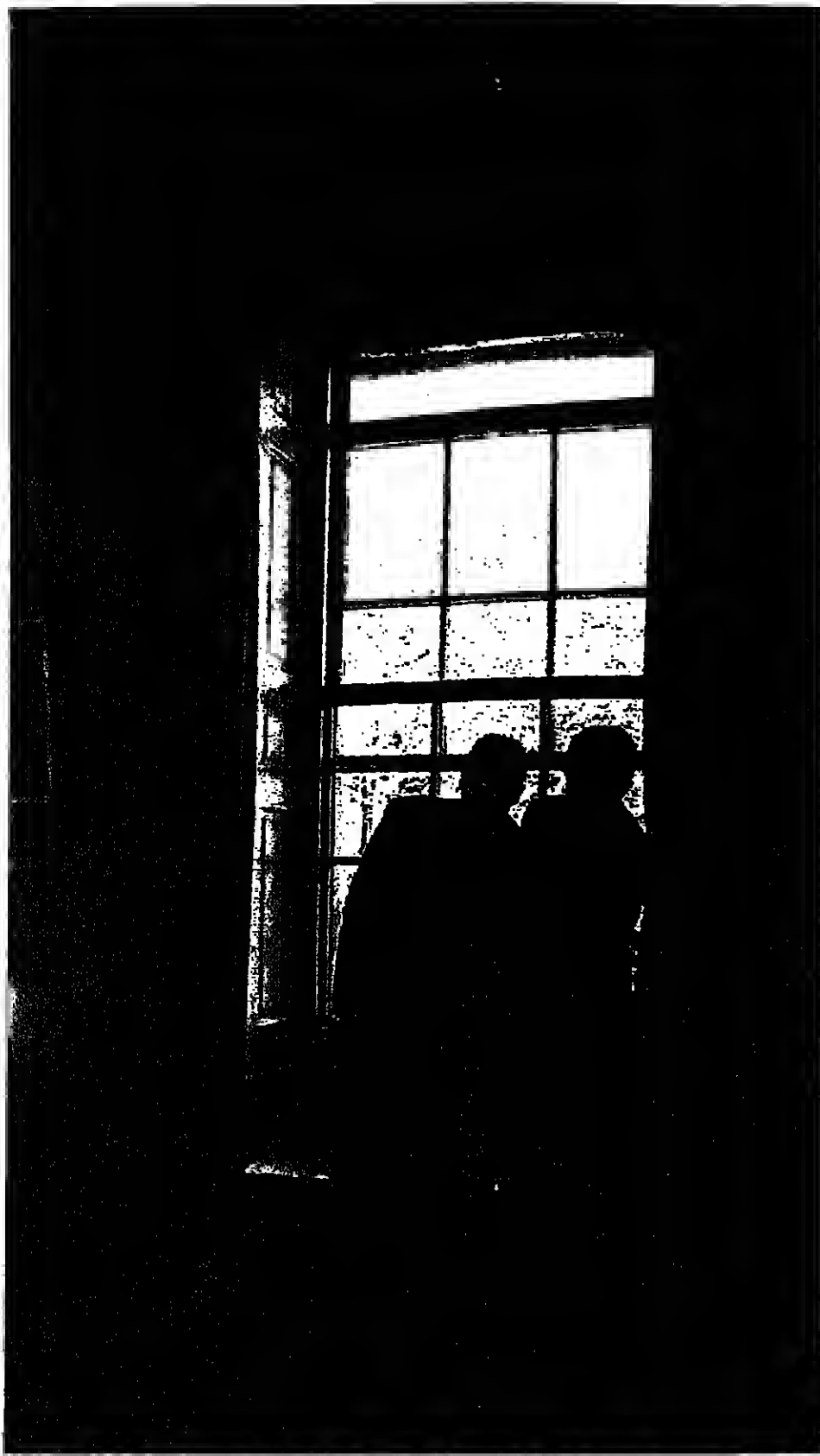
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First Ladies face the bear pit



Once more unto the breach: Hillary Clinton and Cherie Blair take their places in the Gentlemen's Room at the Globe theatre yesterday where they stayed for two acts of *Henry V*. The women are said to have got on well and discussed a wide range of subjects Photograph: Reuters

Two politician's wives - but not the mirror image they might seem

"O for a Muse of fire!" declaimed the Prologue, and we few, we unhappy few, backed detailed to First Lady duty sighed in sympathy. The frock-watch on official visits is an unenviable task. Hours waiting outside Number 10 had delivered a few First Lady waves, a few smiles, but nothing more than that for the fiery muse to feed on. (Hillary wore powder blue. Cherie, dove grey with satin reverses - that's all you'll get about the frocks.)

Hours waiting outside the new Globe theatre in Southwark offered just a couple more waves as the two ladies stepped inside. A long wait among the groundlings in the pit finally gave us a good long look at them up there in their box by the stage, the Gentlemen's Room, where in days of yore Elizabethan beaux sat to be looked at. And look we did while the Prologue was granted "monarchs to behold the swelling scene". The monarchs, however, only stayed for the first two acts of Mark Rylance's brilliant *Henry V*.



POLLY TOYNEE

They spent some six hours of the day together, so what did they talk about? In their box where we could watch them, poor Cherie seemed forced to make all the conversational running, while Hillary wore her Prozac look, as if she'd been knocked down, drugged and stuffed in the process of transforming a clever independent woman into an obedient royal mannequin. Will the embalmers get to Cherie too? No. She has Hillary's example as a light-house warning of all the fatal rocks upon which poor Hillary's ship has crashed.

But yes, there was one flash of animation between them yesterday, with Michael Ancram - mistakenly identified by *The Independent* as a supporter of

pointed down at we hacks in the pit. Her eye had fallen upon that veteran warrior of the *Daily Mail*, Ann Leslie, who was gazing up alarmingly, inspecting their every pore and blemish through a miniature pair of KGB surplus binoculars. Now here was something the two women do have in common.

Did Cherie tell Hillary of the stream of poison from the Leslie pen? On the subject of Hillary, Leslie has written: "Doesn't this exhaustingly combative, unhearably confident little blonde know when she's beaten?" She has mocked her "chunky legs", her "psyche of a Sherman tank", "the Superwife from Hell", "the White House Jazzybel" and concluded "Slick Willie's Lady Macbeth has at last got her comeuppance!"

Cherie no doubt has worse to come, but so far from Leslie she has drawn "gob-stopper eyes and frightened little childhood smiles" and quotes from unnamed sources calling her "a bit charmless, lacking in charisma, rather doggedly serious". Yes, they do have in common

the abuse and rivalry due to most politicians' wives. But otherwise the superficial similarities between the two first ladies are deceptive, shot through with the same fatal mistake the British always make about Americans, assuming a common language means we are not foreigners to one another. To be sure, both women are successful lawyers married to top politicians - but otherwise the Atlantic, and what seems in effect like a generation, yawns between them.

The Christiano clean-living Blairs of the Labour Party are a world apart from the Clintons of the Arkansas Democrats. All those who sneered during our election that Blair would be "just another Clinton" have been proved wrong.

Inside Number 11, Hillary met the Blair children. The ladies lunched together with Lyndsay, Cherie's sister, on the sort of meal ladies who lunch tend to eat: sea bass with salad, followed by lemon tart with berries. Said an aide, "It was warm, they got on well, there was

a lot of laughter and they discussed a wide range of subjects."

Now what lessons might Cherie have learned from her guest? Don't give up your day job. Never give an interview. Gaze adoringly at your husband on all occasions, but zip your lip. Don't parade your children - what a spectacle poor Chelsea's growing up has been. Don't write a soppy book about children with chapter headings like "Kids Don't Come With Instructions". And don't try your hand at reorganising the NHS on your own. All these lessons Cherie no doubt long ago divined, so perhaps she will survive Hillary's terrible fate and manage to remain human and tolerated, if not loved.

The two couples dined together at Pont de la Tour, a Conran restaurant near Tower Bridge. No doubt the warmth between them is sincere, but these couples are not the mirror-images they seem, nor are their politics as alike as their rhetoric appears, operating in two such alien political and social cultures.

Howard attacks Tory frenzy for new direction

Anthony Bevins
Political Editor

Michael Howard yesterday delivered an apparent attack on Kenneth Clarke, the current favourite for next month's Conservative leadership contest.

The former Chancellor said in his first speech of the campaign on Wednesday that the Tories needed a Blair-style over-

haul under which party reform became "the instrument for the widest possible participation in a new Conservatism".

But Mr Howard told a Conservative Bow Group meeting in London yesterday that there was a worrying trend in British politics - "an almost frenzied obsession with novelty".

He added: "New Labour, new faces, new policies, new

structures... new Tory? Taken to that conclusion, only one thing is certain: new Disaster. Because the analysis is wrong."

The former Home Secretary said Labour's remodelling had worked because a left-wing party had been dressed up as right-wing. It had worked because the substitute for an extremely unpopular Conservative Party appeared to be almost as

Conservative as the Conservatives. "Ever since, the media pundits have been telling us that the only way back for the Conservatives is to ape Labour."

Mr Howard dismissed that, just as he dismissed another statement made by Mr Clarke on Wednesday: "The Conservative Party is a party of power, or it is nothing."

Mr Howard said yesterday:

"We have to win power, but power is not the end either. The end is the good government of Britain. And if we ever forget that - as we were, I believe unfairly, thought to have done recently - we will never hold office again."

The campaign began to move yesterday, with Michael Ancram - mistakenly identified by *The Independent* as a supporter of

Mr Clarke - coming out with an endorsement for William Hague. A member of Mr Hague's team said that the former Northern Ireland minister was just what they wanted - a senior figure who was going further rather than an old hand who was on his way out. That was thought to be a reference to Michael Heseltine's expected endorsement of Mr Clarke.

John Redwood, another contender, yesterday used the visit of President Bill Clinton to underline his own brand of Euro-scepticism, saying that the American alliance was essential. But he added a warning for the President: "Do not think you can put a single number in your book for Europe. I know I can't put a single number in my book for America. I need

one for Ontario and Mexico City. You need one for London, Berlin and for Paris."

Mr Redwood said that Britain's role was to provide a voice of commonsense in Europe. "Not to disengage, but not to accept dictation. We must not turn our backs on our continent, but we must not let them turn their backs on the rest of the world."

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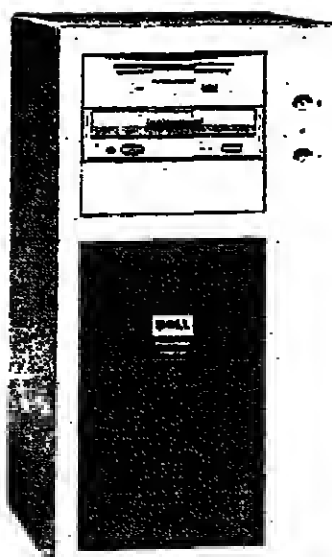
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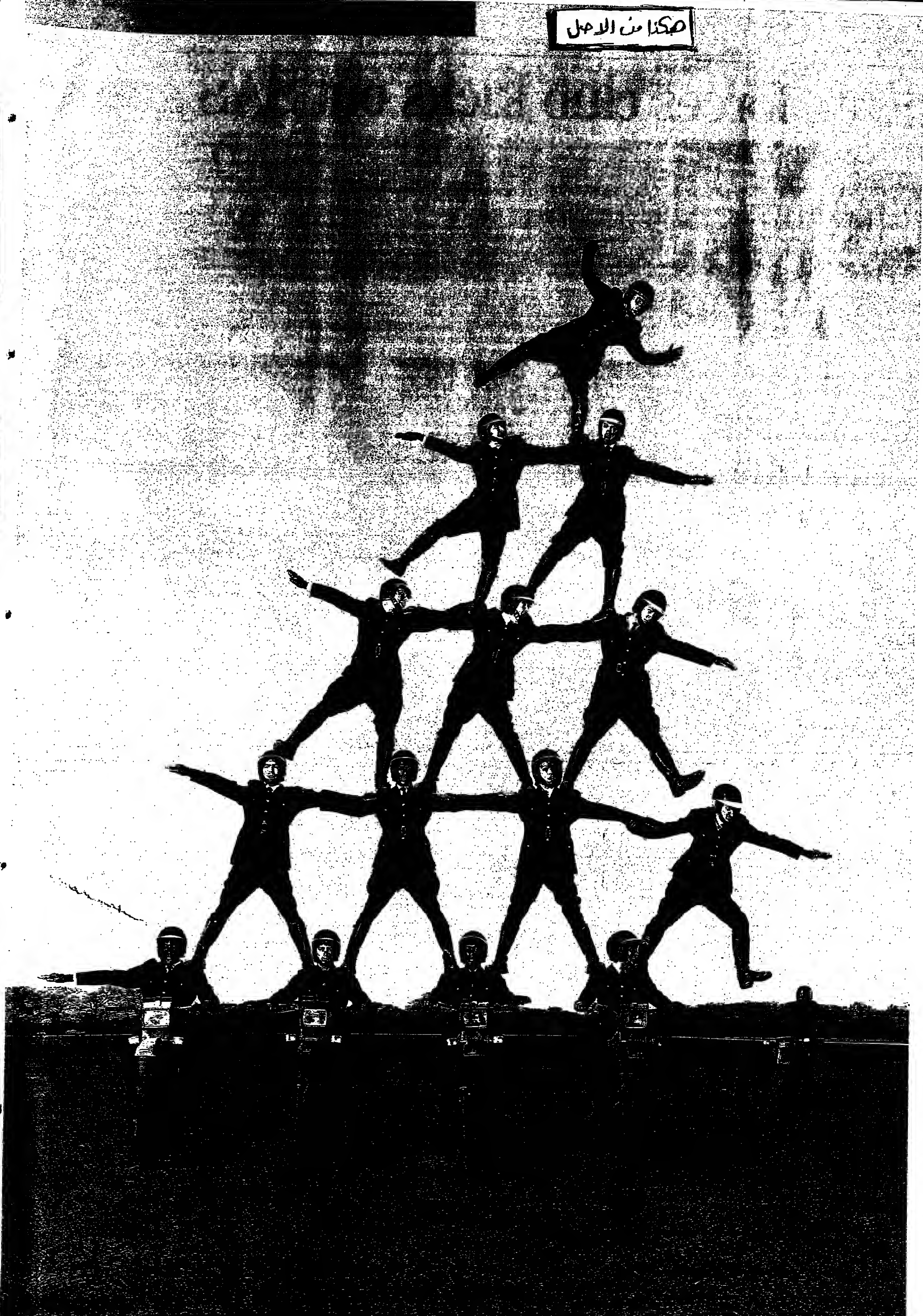
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news

White line holds back blacks at work

Entire fire brigade watch shut after racism charge

Kim Sengupta

It was, by any standards, a dramatic move. An entire watch of firefighters was disbanded yesterday over allegations of racism. They had, it was claimed, greeted the arrival of a black senior officer with National Front material at the station.

The development at Eltham fire station, south-east London, has brought into focus a problem which both management and union agree is simmering in the heart of the service.

Nationally, just 1 per cent of brigade employees are from ethnic minorities. In London, the figure is fractionally lower. In the whole of Scotland there is just one black firefighter.

And the vast majority of blacks and Asians who do cross the "white line" report systematic and at times vicious abuse and prejudice. Women too complain of victimisation in the "macho culture" of the service in which they also represent 1 per cent of the workforce.

The issue of racism has been

highlighted in the television series about firefighters, *London's Burning*. The latest incident at Eltham, where seven men of the red watch were implicated, shows the seriousness of the situation in real life, according to concerned union members.

In this racially sensitive area, where the black teenager Stephen Lawrence was stabbed to death by a gang of white youths, a black sub-officer visiting from nearby Peckham saw racist posters, pictures and other materials.

The officer ordered their removal. When he returned 10 minutes later they were still there. A complaint by the sub-officer led to a locker search which revealed a photograph of a black Olympic team with a caption calling them muggers, the words "wogs out" stuck to a locker and National Front logos. An "offensive" photograph of disabled people was also discovered.

Three members of the red watch were suspended and four others were moved to other

posts. A spokesman for London Fire Brigade said: "The watch has been disbanded, but the men have all been replaced and the fire cover has not been affected. The brigade will not tolerate racism. Any allegation of misconduct will be investigated fully."

Ken Cameron, general secretary of the Fire Brigades Union, which represents 90 per cent of employees in the service, has called for chief fire officers and local management authorities of the service to join a campaign to combat racism, as well as sexism, homophobia and bullying. He acknowledged that some of his members "bring their prejudices to work."

The union is holding regular seminars with local authorities and the Home Office on the problems. It has also started a black and other ethnic minorities branch which produces its own newsletter.

FBU national officer Andy Gilchrist said: "There is no point in hiding the fact we have got a problem. We do not like the fact that only 1 per cent of

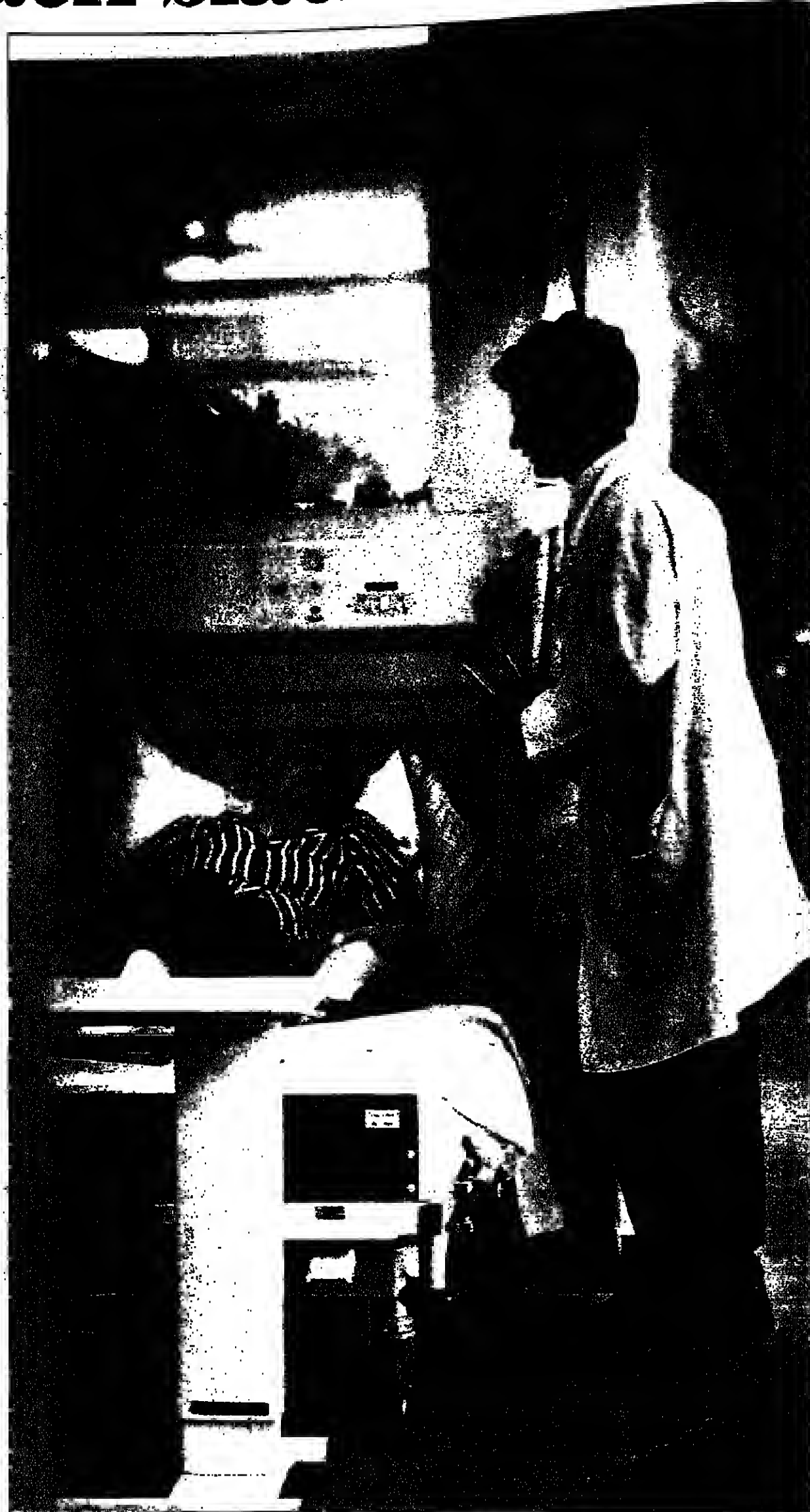
firefighters are from black and ethnic minorities, and we also must fight hard as possible to stop any discrimination against them. We stress repeatedly the principle of fairness. But there are ingrained prejudices we must tackle."

"Some people might say that the reason there are so few firefighters from the ethnic minorities is because it is a physically difficult job. But that is just an excuse. We must get their trust, and show we are against racism."

A Home Office spokeswoman added: "We are an equal opportunities employer and we fully support anything done to counter racism."

Last month, Asian fireman Warren Mann successfully sued Gloucestershire Fire Service after suffering racism. He described routine verbal abuse for three years and being ostracised when he complained.

In another case, a confidential Home Office report described how a black recruit was struck and had his head plunged into a water tower where he almost drowned.



Name game: Asian doctors are being discriminated against throughout their careers

Photograph: David Rose

Asian name hits doctors' chances

Jeremy Laurence
Health Editor

Medical students seeking jobs as junior hospital doctors can increase their chances of success by almost half if they have an English name, a study has found.

Asian doctors are still being discriminated against in the jobs market - and all the way up the career ladder - despite pledges by doctors' leaders and employers to deal with racism in the National Health Service, the report's authors say.

Drs Aneez Esmail and Sam Everington sent matched pairs of applications for 50 advertised

hospital jobs covering a wide range of specialties. The applications were identical in all respects except for the name. Of those with Asian names 36 per cent were shortlisted, compared with 52 per cent for those with English names.

The study, a repeat of an earlier one carried out five years ago, showed that discrimination against those with Asian names has not improved and that NHS trusts are failing to monitor the situation despite instructions to do so. Writing in the *British Medical Journal*, the authors put the blame on the consultants who shortlist candidates.

"These consultants have a re-

sponsibility to maintain the highest ethical and moral standards, and their employers have the added responsibility to ensure that equal opportunity policies are being implemented and monitored," they say.

Dr Everington said other research showed that Asian doctors suffered discrimination throughout their careers. They were less likely to get into medical school, to get a consultant post or a merit award. There was no ethnic minority member of the council of the British Medical Association and none in the top three grades at the Department of Health, he said.

Between 25-30 per cent of

doctors are from the ethnic minorities, compared with 6 per cent in the general population. Dr Everington said this was a blip owing to the recruitment drive launched in the Indian sub-continent during the 1950s and 1960s to staff the newly founded NHS, and the proportion would start to decline. "We have found that high-quality doctors are being turned down on the basis of their surname. That means the hospitals don't get the best person for the job. We have taken a snapshot of discrimination happening in the NHS, where it happens to be visible, but I have no doubt it is wider than that."



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Radophiles
fight for right
to privacy

Notice to
Halifax
borrowers

It's good to talk – but not in front of the altar

Charles Arthur
Science Editor

You may not be a member of the board of the lottery company Camelot, but there is an easy way to make yourself just as unpopular, according to research carried out in London: use a mobile phone in the Barbican Art Gallery or St Paul's Cathedral.

Pulling out a handheld phone in those locations, and others such as the Victoria & Albert Museum, will earn a rapid reprimand from those around you, and free directions to the exit from security guards if you persist.

Yet Harrods, the department store which last week asked a woman wearing leggings to leave, appears happy to tolerate mobile phone users – despite the presence of large signs on its windows saying "No mobile phones".

The contradiction was turned up by Jim Pickard, a journalist who "set out to make a pest of himself" by using a mobile phone all over the capital, as

part of a survey for *What Mobile?* magazine. The outcome is reported in next month's issue.

"I wasn't looking forward to it but found it was quite easy to be obnoxious, especially once people started giving me dirty looks," he said.

Mr Pickard found that speaking in a loud voice into a mobile near a Gauguin painting in the Barbican Art Gallery was a good way to attract attention – from a security guard, who said there had been complaints. The response was even faster in the Whispering Gallery in St Paul's: "It took about three seconds – I had my phone out but hadn't even dialled a number," he said.

"There's plenty of noise from loud-mouthed tourists. I didn't think anyone would notice when I started shouting down my phone." However, two oons and a security guard did, and told him to stop.

However, inside Harrods, the Barbican Library, and the Natural History Museum, nobody complained (though in the library Mr Pickard reported "blistering looks" from readers).



Close call: Using a mobile phone in St Paul's Cathedral can earn a rapid reprimand from other visitors

Photograph: Dan McAister

Afterwards Mr Pickard said: "I was surprised: some places just ignored me. In Harrods, nobody batted an eyelid."

A growing number of organisations are trying to offer mobile-free areas. The Great

Western rail company has classed one carriage per train a mobile-free zone, and an increasing number of pubs and restaurants discourage their use. They may not be used within the House of Commons.

Last week, the use of handheld mobile phones in cars was blamed for a growing number of traffic accidents by the Royal Society for the Prevention of Accidents.

Their unpopularity may be

down to their one-way nature, suggests Mr Pickard. "I think they're only annoying because it's a mobile," he said. "If you were talking to somebody beside you, people would be quite happy to eavesdrop."

Simon Rockman, editor of *What Mobile?*, said: "We extend our apologies to anyone who found us really obnoxious. We found that there was a surprising amount of tolerance to the mobile phone."

"We naturally encourage their use and believe that it should not be restricted in public places. It is up to the individual to decide where he or she sees fit to make or receive a phone call."

Paedophiles in fight for right to privacy

Jason Bennetto
Crime Correspondent

Two convicted child-sex offenders are taking legal action against a police force in an attempt to obtain secrecy rights for paedophiles.

The couple, who cannot be named for legal reasons, want to prevent the police from passing on details to third parties, such as headteachers and youth workers. The action was taken after a man and woman were forced to move home when their landlord was allegedly told about their criminal record.

The man was convicted of raping a 16-year-old girl and a series of assaults on children in 1989. The woman was convicted of aiding and abetting rape and other sex offences. They were both given 11-year prison sentences. They moved to north Wales last summer but were forced to move after they were identified as sex offenders.

In what is expected to be an important test case, the High Court will examine the conflict between the public's right to know and the right of paedophiles to live anonymously after they have served their jail sentence. The couple are seek-

ing a judicial review and the case is expected to be heard at the High Court next month.

It follows a decision by North Wales police to issue a warning about the presence of the convicted sex offenders. The force uses a policy document called "Paedophiles and Suspect Person - Release to Third Parties" to decide whether to issue a warning. An example of a case in which information is likely to be released would be to the headteacher of a school where a convicted paedophile lived nearby.

The outcome of the High Court case could have important ramifications for other police forces and could restrict their ability to issue warnings about known paedophiles.

There is growing concern about paedophiles being allowed to live and work close to children and there have been widespread calls for tougher action to curb their freedom. The new Sex Offenders Act, which has yet to come into force, will require anyone convicted or cautioned for child-sex offences and rape to notify police of their names and addresses and if they move home. The maximum penalty for failure to do so is six months' jail and/or a £5,000 fine.

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Hong Kong 香港 handover



Caught on camera ... the final days of a colony's history

The clock is ticking. A month from today, the world as six million people know it comes to an end. These *Independent* images give a glimpse of the Hong Kong that has become familiar in past years, and the Hong Kong that is yet to come. On 30 June, the Union Jack will be folded for the last time. It should be a moment of happiness for Hong Kong. And yet, emotions are endlessly mixed. There will be dancing on the tables, but there will be an unsettled mood too, as Hong Kong comes under Peking's control. The time when Hong Kong Chinese were second-class citizens in their own country is already part of history. A month tonight, there will be both wistfulness and celebration, as the world changes irretrievably.

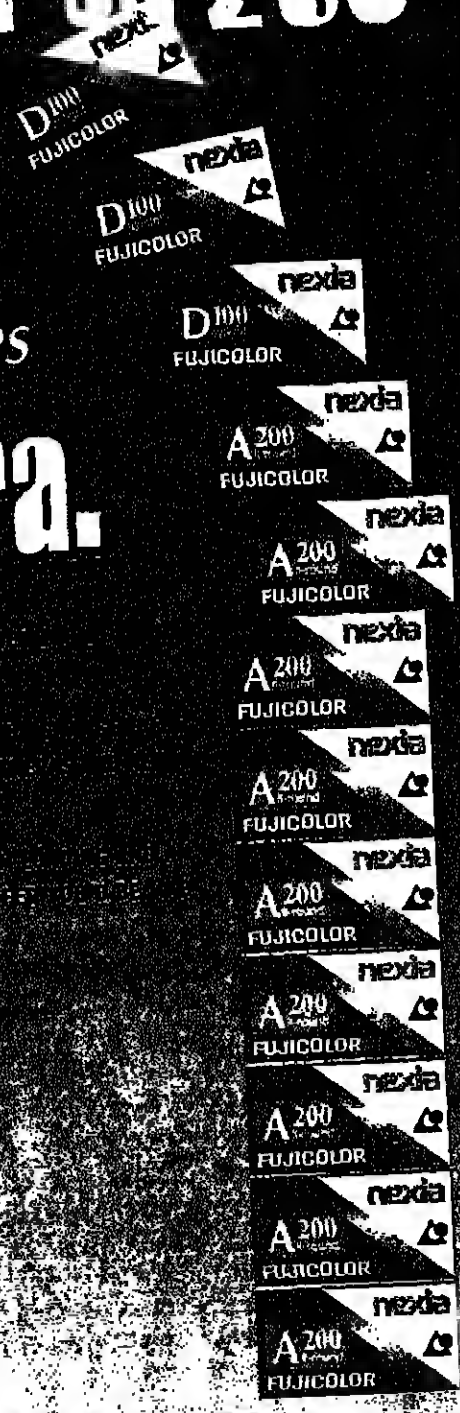
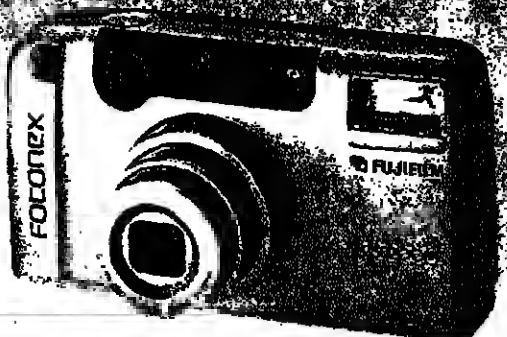
Photographs by Tom Pilston



Soldiers of the Black Watch (top left) carry folded British flags back to barracks in Hong Kong after they have been lowered at six o'clock in the evening - one of the many British traditions, some might say eccentricities, greeted with a mixture of amusement and indifference by the local Chinese. (Above) British expatriates getting

to know local women in Carnigies Club, in the Wan Chai district, where most of the dancing is done on tables; a far cry from the days when, at height of the empire, such "fraternisation" was frowned upon. But disapproval did nothing stop the district becoming a favourite haunt of sailors wherever they called into port.

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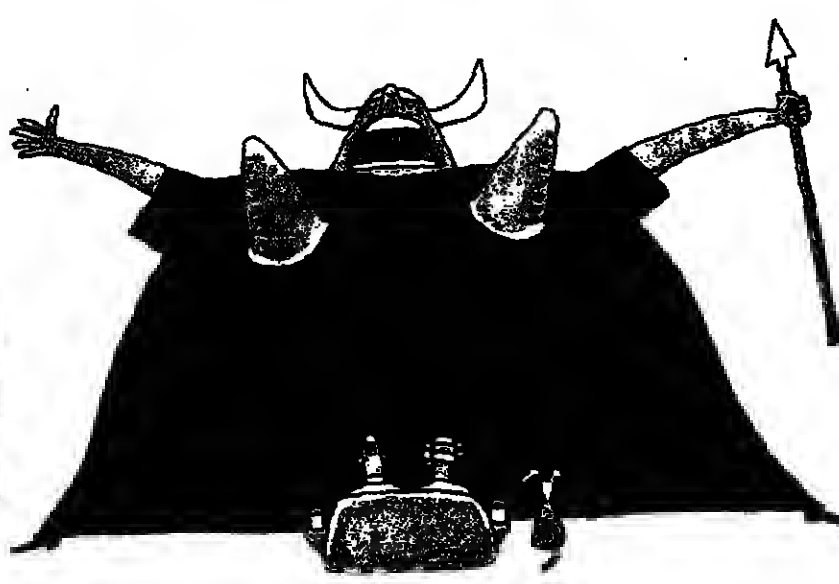
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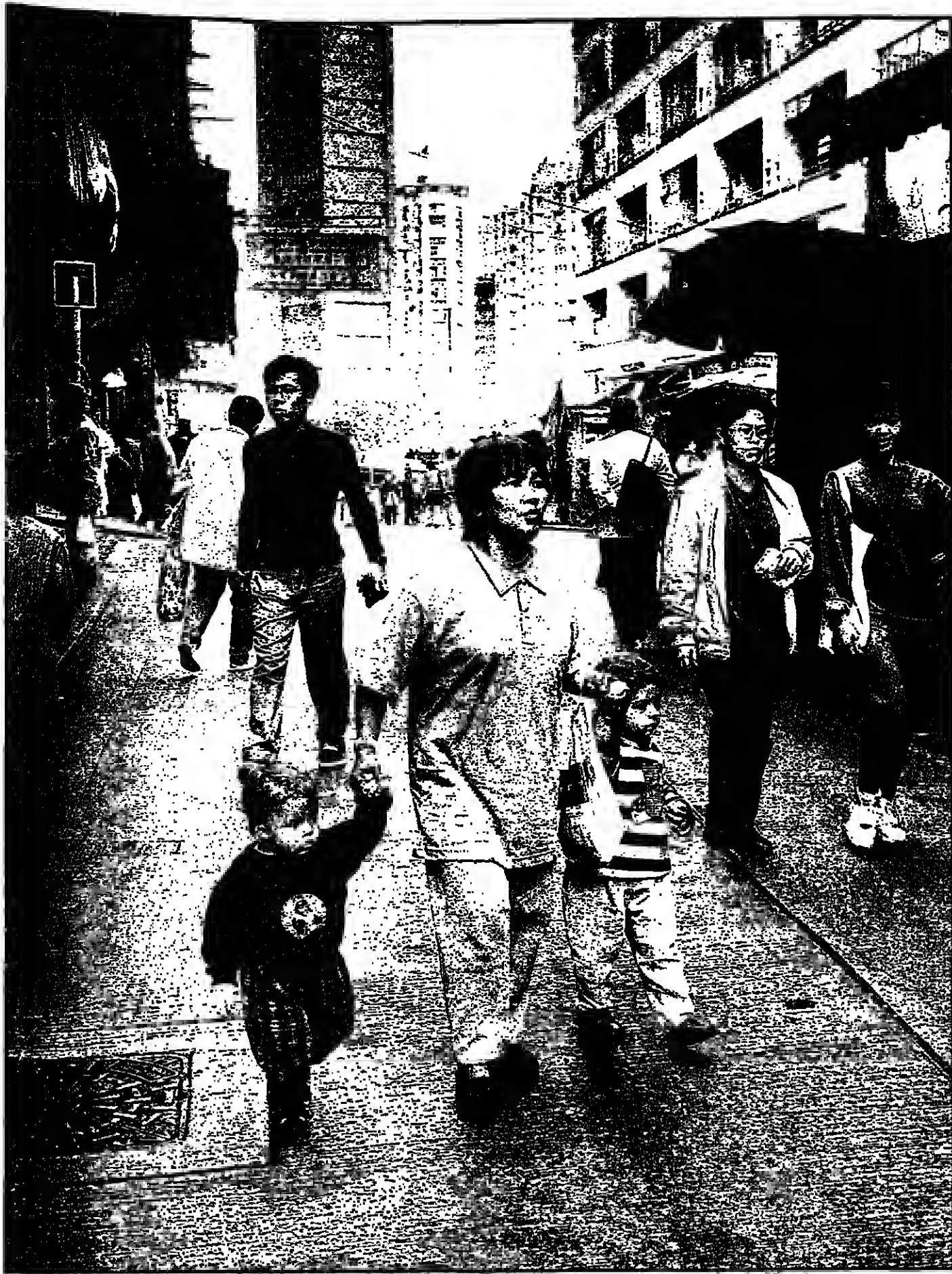
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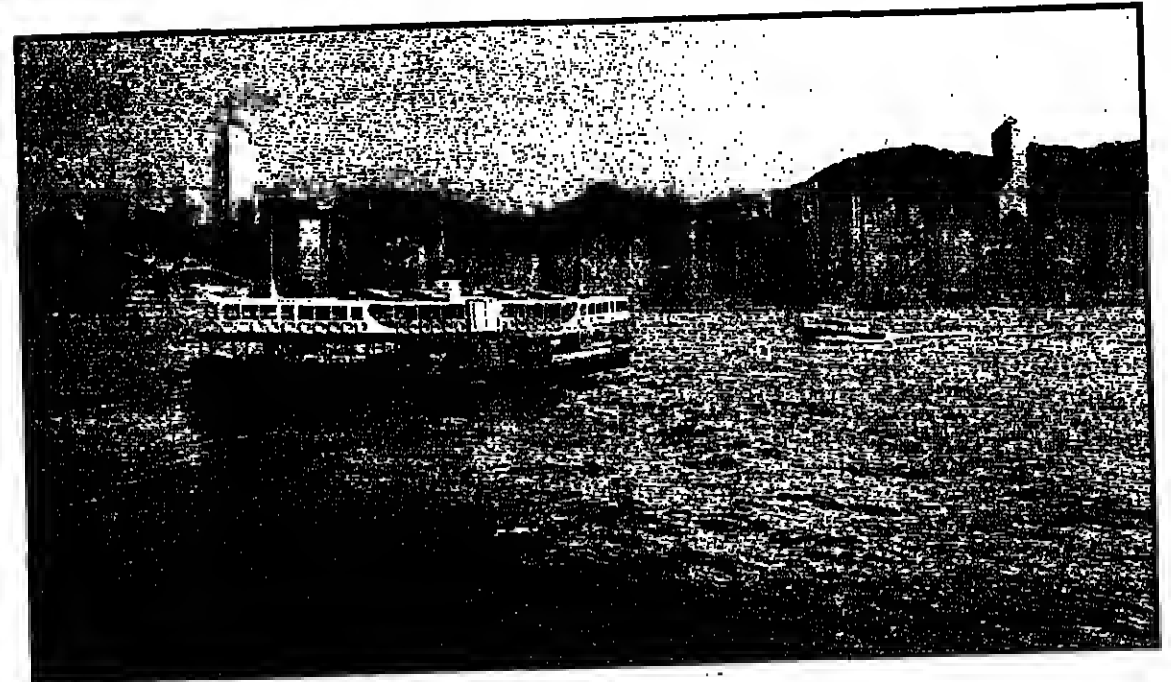
صباحنا من الامل

Caught on
camera...
the final
days of
a colony's
history



A Chinese nanny, or amah, walking hand in hand with her European charges (left); and a businessman (above) sitting for a shoe-shine before boarding the Star Ferry from Hong Kong Island to mainland Kowloon. (Below) one of the Star Ferries – each bearing the

word "Star" as part of her name – heading across the harbour to Central district. The channel has shrunk in width as land has been reclaimed from the water to build the high-rise buildings characteristic of the colony and emblematic of its huge financial success.



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international

Europe reels as Kohl goes for German gold

Sarah Helm
Brussels

Germany's bitter divisions over how to prepare for the single currency reverberated throughout Europe yesterday, as the European Commission attempted to keep monetary union on its Maastricht tracks.

On Wednesday, the Bundesbank fiercely criticised plans by the Helmut Kohl's government to revalue gold reserves, suggesting the move was an attempt to fudge budget deficit figures in order to meet the criteria for the single currency. The bank was forced to deny rumours that its president, Hans Tietmeyer, was going to resign over his opposition to the government's plans. "There will be no cooking of the books - no fudging of the figures," insisted Yves Thibault de Silguy, the economics commissioner, yesterday, saying also that the German row would not delay the launch on 1 January 1999.

The Commission has yet to make a ruling on whether the German plan to revalue gold reserves would contravene Maastricht rules. To date, Bonn has not officially informed the Commission of its plans, said officials yesterday, refusing to be drawn on whether the move might prove contrary to the treaty.

As the row continued to escalate there were signs that Theo Waigel, the German finance minister, may be already attempting to backtrack. At a news conference yesterday, he said "not a single mark" of the expected proceeds of the gold revaluation would go to reduce the budget deficit.

Mr Waigel also insisted that Germany could meet the convergence criteria regardless of the revaluation.

However, the fierce Bundesbank attack on Wednesday, has already undermined faith in Germany's ability to achieve the Maastricht rules, thereby inevitably fuelling new speculation of a delay. The attack brought hitherto muted German anxieties about the single currency to the fore, fuelling fears that the Euro may not be as strong as the mark. Financial experts in Germany denounced the grab for gold, saying it had damaged confidence in the country's ability to manage its economy.

German financial markets were buffeted by the row. The Deutschmark rose and fell, while the price of German Government bonds declined. Other Continental European government bond markets were also weaker. The main beneficiary, with the UK and US, was Switzerland. David Marsh, an analyst at the investment bank Robert Fleming in London predicted a spell of turbulence in the financial markets, saying: "Emu now looks dead in the water."

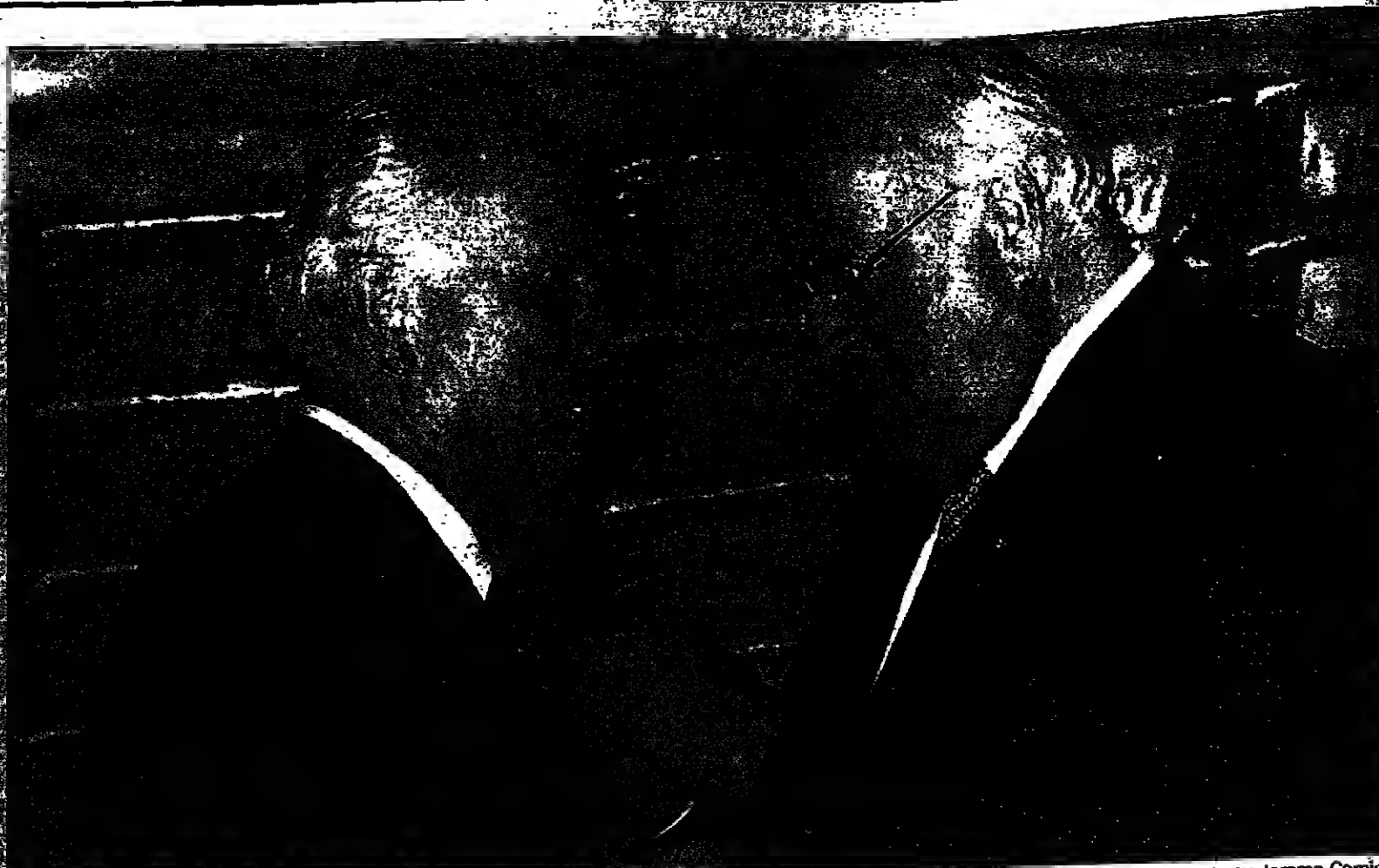
German anxieties about a "soft Euro" have in the past centred on concern that Italy may be admitted to the first wave of EMU member states. But now the German government's own determination to maintain control of public finances has been called in question.

The Italian leadership, through saying little in public yesterday, were reported to be rubbing their hands in glee, knowing that in future it will be harder for Bonn to criticise Italian accounting manoeuvres or to reject Italy's application for membership in the first wave.

The likelihood of the single currency producing a "soft Euro" has also been increased by the prospect of a socialist victory in France. A left-leaning

French government would most certainly have interpreted the Maastricht criteria in order to meet the rigid budget and deficit targets.

Preparation for monetary union has been repeatedly delayed in the past two years by massive political and economic uncertainty. It is now difficult to ensure that the process will have subsided. The delay, however, could prove difficult to defuse. If leaders are forced to delay, they would have to present an alternative



Helmut Kohl and the Bundesbank's Hans Tietmeyer disagree over plans to revalue gold reserves. Photomontage: Jerome Cornick

Yeltsin's visit to Ukraine mends fences

Phil Reeves
Moscow

Boris Yeltsin will today hammer another large plank in his fence-mending foreign policy with his first state visit to Ukraine, where he is expected to sign a crucial friendship treaty in the hope of ending the downward slide in relations with his Slav neighbours.

His visit, postponed six times in recent years, looks like becoming a watershed in Moscow's relationship with Kiev, as it is widely seen as being the first time Russia has implicitly acknowledged that Ukraine is an independent nation, with its own borders.

The treaty is intended to establish the framework for amicable bilateral relations, ending a long period of squabbling over the fall-out of the collapse of the Soviet Union which prompted Ukraine to look westward for friends and

security in the hope of reducing Moscow's influence.

Mr Yeltsin's two-day visit follows the settlement of one of the issues that have corroded relations between the two nations - the fate of the former Soviet Black Sea Fleet, and the city of Sevastopol in Crimea, which was ceded to Ukraine by Khrushchev in 1954, but which many Russians have continued to regard as their own.

Earlier this week, both sides reached an agreement under which they will divide up the now rusting Black Sea Fleet and Russia will keep its ships at Sevastopol under a leasing agreement for the next 20 years.

But the friendship treaty, to be signed tomorrow, has wider significance: it suggests that Russia is no longer wedded to the concept that Ukraine - a country the size of France, with a population of 51 million - is inherently part of a Slavic territory over which Moscow exclusively holds sway. "This is the first time when we can see Russia treating the Ukraine as a foreign policy issue, rather than a domestic one," said Martin Bilynsky, director of the US-Ukraine Foundation in Kiev.

"For several years, Russia used the stick when dealing with the Ukraine," he said. "It was intransigent over the Black Sea Fleet, refused to negotiate over border issues, and wouldn't discuss the question of Ukrainian money left in Moscow's banks after the end of the Soviet Union. But now Moscow is using a carrot."

The Ukrainian President, Leonid Kuchma, has helped force Russia's hand by leaning provocatively westwards.

Further pressure was brought to bear on Moscow by Kiev by weaving closer economic ties with the West - particularly the US, its largest foreign investor - and by seeking friends among neighbouring former Warsaw Pact countries. It has manoeuvred to reduce its dependency on Russia, which accounts for almost half of its trade and supplies almost all of its energy.

If all goes well, this weekend's events will add further weight to the argument that Boris Yeltsin has adjusted his foreign policy, and is more interested in domestic reforms than international confrontation.

Security charter with Nato agreed

Nato Foreign Ministers yesterday agreed a security charter with Ukraine to mirror the historic founding "Act" signed with Russia on Tuesday, before getting down to talks to finalise which East European states will be invited to join Nato at the Madrid summit on 8-9 July, when the charter will also be signed.

The foreign ministers of the 16-nation Western alliance, including Britain's Robin Cook, met in a baroque monastery in the forests outside Sintra, 45 miles west of Lisbon, in Portugal. The charter with Ukraine allows it to consult with Nato on security threats, establish a permanent mission at Nato headquarters - like Russia - and hold regular talks. But unlike the Nato-Russia "Act", it does not establish a permanent Council.

Christopher Bellamy

Must a painter use a brush?

To move forward you need to take a different view. Which is why the new Audi

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Chirac puts faith in odd couple of right

John Lichfield
Paris

Stranger and stranger. Two political figures from the extreme left and right of the ruling coalition have put themselves forward as the dream ticket to govern France if the centre-right wins Sunday's second round of the parliamentary elections.

Philippe Séguin of the Gaullist RPR and Alain Madelin of the UDF alliance spent much of the presidential election two years ago insulting each other. They now say their views are "complementary" and they have, in effect, nominated themselves as the best choice to be prime minister and finance minister if the centre-right wins the election this weekend. In British terms, this would be the equivalent of a government run by Kenneth Clarke and Michael Portillo.

The National Front leader Jean-Marie Le Pen summed up the widespread astonishment in France with his usual vulgarity. A Séguin-Madelin government would, he said, be a "savage beast", because "it would not know how to shit".

The view of President Jacques Chirac, who would make the choice of Prime Minister, is not known. Officially, the electorate is being asked to return the governing coalition on Sunday without

Alliance of Séguin and Madelin stuns French electorate

knowing who its prime minister would be. Alain Juppé, who ran the government for the last two years, said on Monday that he intended to stand down following the unexpected victory for the left in the first round last Sunday.

But the strange couple was heavily touted yesterday on the front page of *Le Figaro*, which has been the most craven of government bulletin-boards during the campaign. This suggests that the Séguin-Madelin ticket may have the unofficial blessing of the Elysée Palace. At the very least, it suggests that the President, now in charge of the centre-right campaign, thinks that the best way of winning is to appear to try to appeal to all tendencies at once: the liberal and the statist, the Emu-sceptics and the Emu-fanatics. Another interpretation is that the President sees little chance of winning on Sunday and has, in effect, abandoned all control of the situation.

Philippe Séguin, 54, is the standard-bearer of the statist, social-democratic, Euro-sceptical wing of the Gaullist Par-

ty. He campaigned against the ratification of the Maastricht treaty and has argued that France should not try to shrink its large state sector but to make it work better. Alain Madelin, 51, is as near as mainstream French politics gets to a free-market, supply-side liberal. He wants to shrink the state and is an unqualified fan of Emu.

In a joint appearance in Chambéry on Wednesday, they said there was nothing incompatible about their views. They said the creation of the Fifth Republic by General Charles de Gaulle in 1958 was an attempt to reconcile "financial rigour and social generosity". In office, they would try to renew this historic alliance between the two forces of the traditional French right, liberalism and Gaullism. Others might argue that it is the inability to decide clearly between the two which has created many of the problems in French politics and the French economy.

Lionel Jospin, the Socialist leader, said their hastily arranged and "baroque" partnership was a further sign of "confusion" and "disarray" on the right.

The outcome of Sunday's second round remains extremely hazardous to predict. It will depend on the results of at least 100 constituencies which will probably be decided by less than 1 per cent of the vote.



Shock tactics: Philippe Séguin of the RPR (left) and Alain Madelin of the UDF in Chambéry yesterday Photograph: AFP

Grassroots view Juppé's resignation with disdain



Campaign talk: A voter chatting with the Socialist leader Lionel Jospin in Paris yesterday Photograph: AP

John Lichfield
Llwyd-Gargan

Drive north-east of Paris on the old N3 road to Rheims and you plunge into Anywhere-sur-Moode. Overpasses. Underpasses. Tower blocks. Forest of bright signs saying McDonald's, Nissan, Midas, Avis. You could be in New Jersey.

One of the issues in the French parliamentary election is the country's morbid fear of globalism. Drive down the N3 and you might think the French have nothing to be scared of. They have already lost.

But wait a moment. Take any turning to left or right and you're back in France again. There are leafy streets of neat houses (*pavillons*), separated every mile or so by provincial shopping streets with bakers, *cafés*, *pâtisseries*, selling delicacies which suburban New Jersey has never dreamed of.

This is the eastern part of the department of Seine-St Denis, a quilt of middle-class, working-class and immigrant areas which is one of the key battle-grounds in the second round of the French elections on Sunday. Here, side by side, sit three of the 73 constituencies in which there will be a three-way run off between the centre-right government, the left and the far-right National Front.

All three had government MPs in the last parliament. This time the NF scored sufficiently well to maintain its candidate in the right-wing vote. In two out of the three "triangular" races locally - in 50 out of the 73 across the nation - the left is cautiously expected to win. If it does, the next prime minister will probably be the Socialist leader, Lionel Jospin.

There is an especially intriguing race in the 12th district of Seine-St Denis, based on the towns of Livry-Gargan (blue collar) and Le Raincy (bourgeois). In the left corner of the electoral triangle is Alain Calmat, 57, former world figure-skating champion, and mayor of Livry-Gargan, who topped the poll with 29 per cent in the first round. In the government corner is Eric Raoult, 41, minister for urban affairs and racial integration. He is the popular mayor of Le Raincy. He scored a disappointing 27 per cent in the first round after being mocked by the NF as the "minister for Arabs". In the far-right corner is Franck Timmermans, 39, the very model of the new generation of young, educated,

designer-suited FN candidates. He scored 22 per cent.

With the votes of the eliminated Communist candidates and a bus-full of fringe left and green contenders, Mr Calmat should win on Sunday. But in French politics, two and two do not automatically make four. What if a different cast of voters should turn out on Sunday? What if some of the NF supporters return to the centre to bar the way of the left? Will the departure of the unpopular Prime Minister, Alain Juppé, help the centre-right?

Mr Calmat, sitting in his large office in the *mairie*, is in a mood of cantankerous serenity. "Bof," he says, "Juppé makes no differences. *Les électeurs s'en fichent d'Alain Juppé*. [The voters don't give a stuff about Alain Juppé.] They care about their wallets. About their kids' future. About jobs. Above all, they want a government which talks to them like adults, not like children."

He agrees that the nation is in a strange mood: seeking a change and desperately fearful of change. France has "*un esprit moderne frondeur*": an attitude of rebellious caution.

"There is no passion for Jospin but there is a lot of respect for Jospin. Momentum is the important thing in politics. I didn't think we'd do as well as we did nationally in the first round. Now I'm convinced we'll win."

A mile down the N3 is the headquarters of the RPR (Gaullist) candidate, Eric Raoult. His campaign manager Françoise Bergougnou says it has been the strangest election in her 33 years as local activist. "The landscape has fragmented," she said. "There were 22 candidates in the first round. Scores of local pressure groups trying to blackmail us." In the first round the centre-right electorate swung partly to the NF; partly it stayed at home, she said. "We can get them back. We are already getting them back now that they see the alternative is to have the Socialists in power again."

Maybe. One thing is unchanged. Popular interest in the election is as low as ever. In a bar near the *mairie*, the seven people propping up the counter (the lowest poll sample in history) say they voted two to the left, one NF, one for a fringe candidate and three not at all. Any change on Sunday? They shrug. A man in overalls points to his racing newspaper. The headline says: "The real question of the day. Will the euro put up the price of the *quiné* [the tote]?"

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Secret map reveals Israel's West Bank plan

Patrick Cockburn
Jerusalem

Israel plans to hand over only 40 per cent of the West Bank to the Palestinians instead of the 90 per cent they expected under the Oslo peace accords.

Benjamin Netanyahu, the Israeli Prime Minister, showed the map, prepared by the Israeli army, to President Bill Clinton earlier in the year as a guide to the territory Israel would like to retain on the West Bank which it captured in the 1967 war, Israeli press reports say.

The map, published in the daily *Haaretz* yesterday, shows Palestinian control limited to two cantons north and south of Jerusalem, centred on Nablus and Hebron, but with no territorial link between the two. The paper says: "Prime Minister Netanyahu's secret map, which he intends to offer the PA [Palestinian Authority] during the permanent status negotiations, allows them less than 40 per cent of the territory."

Mr Netanyahu yesterday distanced himself from the map, saying he does not yet have a firm idea of what will be on offer to the Palestinians. However, the map is in keeping with his previous statements and its intention to severely limit the size of the Palestinian enclave was reportedly supported by



What Netanyahu would give Palestinians

seventeen ministers at a cabinet meeting this week.

Saeed Erekat, the Palestinian chief negotiator, said: "This is not acceptable. He [Mr Netanyahu] is negotiating with himself, or rather with himself and other extremists in his government. He has forgotten he has a partner."

The map shows Israel retaining sovereignty over all the Jewish settlements on the West Bank, the Jordan valley, the hills east of Jerusalem and heavily settled areas close to the border with Israel. This does not leave much for the 1.1 million

Palestinians on the West Bank. Surrounded by Israeli territory their economic future will entirely depend on Israel. Palestinians in and around Jerusalem will be isolated from the autonomous Palestinian entities.

Originally prepared by the army to show Israeli interests on the West Bank, the map underlines how far the Israeli government position has changed since the Interim Agreement of the Oslo accords was signed in 1995. This would have in effect ended the Israeli occupation of most of the West Bank. Mr Netanyahu has made clear that he has no such intention.

Some aspects of the plan are already being implemented. Traffic between Jerusalem and Tel Aviv is increasingly using a new road which runs through the West Bank. An elaborate tunnel system links Jewish settlers in Gush Etzion and at Kiryat Arba, near Hebron, to Jerusalem and bypasses the Palestinian towns of Hebron and Bethlehem. The Council for Jewish Settlements in Judea, Samaria and Gaza estimates that there are now 160,000 settlers in 144 settlements.

The map also shows the West Bank as further bisected by "corridors" by which Israelis and Palestinians would pass through each other's territory. The only crumb of comfort for the Palesti-

nians is that their territory might be expanded if the security situation warranted it.

Mr Netanyahu is in a strong political position to implement his plan for the West Bank. Palestinian and international protests over the construction of a new settlement at Har Homa, known to Palestinians as Jabal Abu Ghneim, have ebbed away. The turning point internationally came when the United States, despite its disapproval of Har Homa, twice vetoed United Nations Security Council resolutions against it. At Sharm el-Sheikh in Egypt this week Mr Netanyahu showed that Har Homa does not stop him meeting with Arab leaders such as the Egyptian President, Hosni Mubarak.

The Israeli leader is also under little pressure at home. The Labour party is still consumed by the battle to succeed Shimon Peres, its previous leader. Mr Netanyahu turns out to have suffered little damage from the scandal over his appointment of Roni Bar-On, a party hack, to be attorney-general. Dissidents in his cabinet are chastened. Above all the Palestinians have not reacted strongly, either through civil protests or guerrilla attacks, to Mr Netanyahu abandoning the intention of the previous government to end the occupation of all but 10 to 15 per cent of the West Bank.



Dispossessed: Miryam Al-Banna, a Palestinian, grieves over her Jerusalem home, torn down by the Israelis. Photograph: AFP

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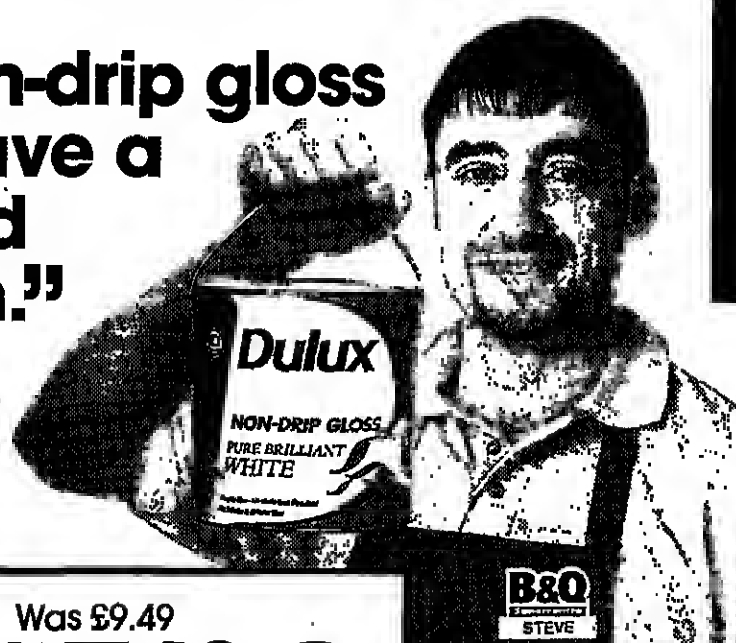
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Timorese rebels in election day attack

tions in Indonesia have not been free elections," said the Portuguese foreign minister, Jaime Gama. "In East Timor, an occupied territory, those elections could not have been free, and the people there have shown that they do not accept occupation and annexion." There were no major reports of electoral irregularities, but, with counting controlled entirely by government-appointed organisations and only a small independent monitoring organisation, they would be unlikely to come to light.

Many Indonesians are required to vote at their place of work, a situation which offers many opportunities for political pressure to be exerted on them.

In the final result, there are few interesting questions: the size of Golkar's majority compared to previous years; the proportion of abstentions and spoiled or blank ballots; and the possibility that a huge ruling party victory will provoke more frustration and more violence.



sentiments are stronger there than elsewhere. Others say it reflects the fact that Texas, like a number of other states, does not have a sentence of "life imprisonment without parole".

Others, however, say Texas has simply been quicker to respond to the hardness of public opinion in the case of violent crime, and that other states will follow. Certainly, the rate of executions has increased sharply in most states since 1994, as has the length of prison sentences and the use of life sentences. While Amnesty and liberal opinion in the US may express misgivings about the death penalty and how it is applied, public opinion is of the view that "the more the better".

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A fresh chance to talk sense about the euro

Break open a bottle of Best Schadenfreude and celebrate Helmut Kohl's troubles. It is impossible not to enjoy the comedy of national stereotypes confounded. The German government, which has been lecturing slippery Italians and slapdash Spaniards on the sober virtues of double-entry book-keeping, has been accused by the Bundesbank of creative accounting. What a piece of Mediterranean sharp practice it is too. Using the revaluation of the country's gold reserves to plug the government's borrowing requirement is a bit like remortgaging your house to pay off your credit card debts. At least our own late and unlamented Conservative government actually sold the family silver and took in some hard cash. Herr Kohl's book-cooker, Theo Waigel, wants to keep the gold and take the notional rise in its value into the current account. On that quicksand he wants to build the foundations of a new currency for the whole of Europe that would be stronger than the mark. As transport metaphors are favoured by the architects of European integration: it ain't no way to run a railroad.

It is not simply the discomfiting of German righteousness which is cheering, but the re-opening of the whole question of the timetable and design of monetary union. For most of our European partners that question was settled at Maastricht four years ago – but this week two large cracks opened in that settlement.

The result of the first round of the French elections has prompted a panic rush for the lifeboat marked "soft euro". The centre-right coalition think their only hope in the second ballot is to talk of changing the criteria for the euro and easing the pain of convergence. That is serious. But should a crack open up in the other pillar, the German one, at the same time, it could bring the whole edifice down.

Britain's role should be to put a crowbar in both cracks and keep them open – a task for which this country is uniquely qualified. While Continental minds moved on to designing the notes and assembling committees to discuss the changeover, the debate over the fundamentals raged on in Britain, because of the running sore of Europhobia and the opt-out which it required. It may have been a poisonous business, but it has had its benefits. If there is one thing we Brits are experts on it is the defects of the Maastricht model – and that applies to pro-Europeans as much as to sceptics.

This newspaper has kept the European faith through the dark phase of Little Englander nationalism of recent years, but has repeatedly expressed worries about the democratic base of a single currency. Part of this is a matter of consent. French and German leaders have misled their peoples about the euro, justifying hard economic measures which they would have needed to carry out anyway on the need to meet the Maa-



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tricht criteria. Little wonder, then, that the euro is unpopular. But part of this is a fear that joining a single currency would cede political control to an "untried foreign quango", to quote Gavin Davies, *Independent* columnist, Treasury adviser (and maybe a contender for the governorship of the Bank of England?).

So it is no bad thing if the German and French élites are forced to think again. It has turned out that the membership rules of this particular club were drawn up in such a way that the only big country eligible to join is one that is not ready to, does not want to and does not have to – the United Kingdom.

There are two possible solutions: change the rules or postpone the launch date. They are not mutually exclusive, and Europe should do both – but the important thing is to delay. Most especially, it would be a mistake simply to relax the criteria and let everyone have prizes. Some countries argue that they might not meet the criteria to the decimal point next spring, but they can demonstrate a clear trend in the right direction. If so, let them demonstrate it. What's the rush? If something like this is worth doing, it's worth getting it right. Genuine economic convergence, which everyone agrees is the precondition

tion of stable monetary union, cannot be hurried just because some politicians in a post-war mind-set hit upon a date with a millennial ring to it in a dull Dutch town at the end of an already forgotten decade. Chancellor Kohl's argument is that the process is like riding a bicycle which will fall over if it stops. Nonsense. And so what if it does? That would only prove that our legs are not long enough to reach the ground. It is more persuasive to argue that Europe's leaders will not get on with it unless they have a deadline, but if the deadline is set too early the work will not be done properly.

As Herr Kohl shed tears this week, remembering the Marshall Plan which rebuilt Europe after the war, he marked the passing of his dream of European unity. He may well still win next year's German elections – the opposition SPD shows a depressing inability to present a potent challenge. But he has been seriously damaged by Germany's failure to qualify for the euro without resort to one-off expedients.

There is an unexpected opportunity here for Tony Blair to play the leading role in Europe which his campaign rhetoric promised, but which seemed implausible while the twin pillars of the Paris-Bonn arch stood firm. Mr Blair – as he never tires of reminding us – comes from a different generation. His attitudes to Europe are not shaped by the memory of war. His view of the single currency is pragmatic – and Augustinian in

the sense that he is quite happy to be virtuous, but not yet. The least important consequence of this week's events is that it makes the Tory leadership contest look like a medieval theologians' debating competition. But even that adds to the sense that Mr Blair makes his own luck, and is well placed, tanked up with the rocket-fuel of his landslide victory, to seize his moment. If the single currency does need to be re-engineered, then this time Britain could really be at the heart of the debate.

Ideas folk need to be more driven

The trouble with British inventors is that they are not inventive enough. It is all very well coming up with a black box that will, as we report today, alert the AA or RAC and tell them where you are even before you break down. What about a black box that will order a pizza before you know you are hungry? What about a television that will switch itself off because it knows you will say, "Well, that was a waste of time" at the end of the programme? But back to cars and something really useful – what about a machine that can tell you where you parked your car? That's one the new Secretary of State for the Environment might find useful.

• LETTERS TO THE EDITOR •

Patients know the worth of psychotherapy

Sir: Claims and counter-claims have always been made for the efficacy of the psychological therapies. To prevent malpractice, it is crucial that the public should have access to accurate information about whether talking treatments work.

In this respect Jerome Burne's article ("Therapists – who needs them?", 28 May 1997) is something of a curate's egg. It is true – and has long been known – that psychotherapists are relatively poor at predicting behaviour. It is also the case that their predictions are improved if they utilise actuarial and research-based information, and take care to distinguish between facts and inferences about their patients. However, the article makes the error of assuming that because psychotherapists are poor at performing certain tasks, psychotherapy itself is ineffective, a conclusion at variance with the facts.

The Department of Health has recently published a strategic review of the provision and organisation of psychological therapy in the NHS, as a part of which Peter Fonagy and I were commissioned systematically to review research into the efficacy of the psychotherapies. We noted that there are many forms of psychological therapy, and that though there is more research on some forms than others, there is good evidence that therapies are effective for many people, across a wide range of major mental health conditions – these are not just treatments for people with minor worries.

Though outcomes were at least partly dependent on the skill with which therapies were carried out, we also concluded that many factors contribute to success – we are far from understanding how therapy works, and what therapies work best for each individual patient. If practitioners are realistic they will avoid making inflated claims for their treatments – the best guide will be the response of the patient.

Dr TONY ROTH
University College, London
London WC1

Sir: Jerome Burne's report of Professor Robyn Dawes' work implies the endemic confusion between psychiatrists, psychologists and psychotherapists. Their work is usually distinct. For example, while prison inmates and addicts in the UK may get to see a psychiatrist or a psychologist, few are offered psychotherapy. The reason is simple: it is often lengthy and expensive. Relatively little of it is publicly funded and when it is, like most other treatments, it is rationed.

There are problems with psychotherapy in Britain as there clearly are with its image. Regulation of the profession is still in its early stages. Psychotherapy is a term used to cover a variety of approaches, some of which could be suspect and this needs urgent attention. By its nature, the enterprise is confidential, even secretive, and this poses its own dangers and fantasies. Moreover, research into the psychotherapies is relatively recent.

But Mr Burne and those who share his views and perhaps fears, might consider that each time someone enters a psychotherapeutic relationship, this is in itself an experiment which warrants all the ethics and safeguards of any experimental



procedure. The determination of success or failure, however, remains in the domain of the patient.
ANN KUTEK
Member, British Confederation of Psychotherapists
London SW6

Change the EMU timetable

Sir: An opportunity to seize the initiative on EMU is emerging for the new Labour government, based on the likely outcome of the French elections next week (leading article, 27 May). The single currency will struggle to start on schedule on 1 January 1999, following the signal sent out by the French electorate.

Meanwhile, in Germany, public opinion is also moving against measures being taken to meet the deficit requirement for 1 January 1999. Gradual budget adjustment, rather than one-off measures, is vital for sustainable convergence. Both Germany and France have opted for one-offs: the French government in making a shady deal with France Telecom; the German government in opting to revalue its gold reserves.

This new situation offers two possible scenarios for the launch of the euro:
1) A fudged EMU, starting on time on 1 January 1999, in which countries take measures which are unsustainable and which ultimately run into problems with the Stability Pact.

2) Postponement of EMU for up to one year to encourage a softening of the fiscal "run-in" to meet the Maastricht criteria, and at the same time allow the revised fiscal adjustments to combine with

firm economic plans aimed at job-creation.
European leaders must revise the EMU timetable. If they don't, there will be a fudged EMU on 1 January 1999 with key member states holding budgetary positions which are unsustainable. An emphasis on employment measures coupled with a smooth run-in to monetary union is better than a rushed and deflationary entry which could all end in tears.
MARK HENDRICK MEP
(Lancashire Central, Lab)
Brussels
The writer is Labour Spokesperson on Economic and Monetary Affairs in Europe

Where's the profit in funding film?

Sir: It is always encouraging to read of British success nurtured by grants ("British film-maker returns £1m lottery grant as he hits jackpot at box office", 29 May) but one unanswered question is: what share of the profits is also received by the funding organisation for taking the risk?

By my calculations the British film industry, on a film cost of £1.8m and a grant of £980,000, should be receiving about 54 per cent of the profit. Are they? If not, then Gary Smith is right in his statement: "The British film industry has always lacked financial discipline..."
JONATHAN YOUNG
Sudcup, Kent

Boy soldiers died to help morale

Sir: Your excellent article ("Labour pardon for war cowards", 27 May) demonstrates unassailably the case for a general pardon for most of the 307 British soldiers executed for "cowardice" in the First World War.

However, it misses one underlying and crucial truth which is the key to a proper understanding of this shameful episode in our history. In a war which raged with such horrendous bitterness for so long, it was inevitable that the fighting morale of the front-line troops would become the primary objective of Army chiefs. It was both logical and essential that a number of men along the entire front should be sacrificed at times of greatest peril "pour encourager les autres".

"Cowardice in the face of the enemy" was never intended to be taken seriously as a moral or legal judgement against individual soldiers. It was merely a legal fiction – a socially acceptable formula to justify official brutality to avoid a greater evil, and concepts such as a fair trial, legal representation, and the weighing of evidence had nothing to do with the overall strategy. Indeed they would have been counter-productive and self-defeating. Any real court of justice would have been bound to acquit or postpone the execution of most or all of the men concerned. The consequences of that would have been catastrophic and could have lost the Allies the entire war.

We owe a debt of gratitude to the 307 who played their part in defeating German expansionism by making their sacrifice before a British firing squad just as bravely as those who died in the trenches.
RUPERT MONTAGUE MARTIN
Society of Advocates of Justice
Plymouth, Devon

Replacing orange with green

Sir: David McKittick's analysis of the post-election politics in Northern Ireland ("Northern Ireland changes colour", 28 May) reveals the replacement of an orange hegemony by a green one. There is no new political landscape in view, only an inversion of the old one.

One can predict failure for the present talks because, even in the event of an unequivocal IRA ceasefire it is not in the interests of the Unionists to set in motion a regional assembly which will be increasingly dominated by nationalists more "ambitious and energetic than ever" – Stormont with the hoot on the other foot. The only faint chance of success would be if mainstream British political parties started to organise in the region, drawing supporters from both traditions and thus helping to dissolve the intransigent ethno-religious blocs. Why is "inclusive" new Labour so silent about this possibility?
SIMON PARKIDGE
London N2

Rothermere's example to peers

Sir: As a hackwoodsman Conservative peer with a poor attendance record in the House of Lords, due to office hours rather than lack of interest, I read with interest Lord Rothermere's panegyric to Tony Blair (report, 26 May).

I have some sympathy with what Lord Rothermere said, but what does stick in the gullet is that this comes from somebody who, presumably because he does not wish to pay tax in this country, lives in Paris. He is, I assume, only permitted to spend 90 days in England's "green and pleasant land" each year. How does he therefore aspire to know anything of the coming of what he calls "political maturity" and of who is best suited to govern this country? Lord Rothermere is on record as saying that although he has sworn the oath of allegiance to Her Majesty in Parliament and sat down on the Labour benches he has no intention of following the Labour whip.

The Prime Minister may not be so amused to see Lord Rothermere vote against the Government; nor indeed should Lord Rothermere be disappointed if the quarantine rules are not changed to allow his beloved pooch to travel freely from the canine parlours of Paris to those of London.

If Lord Rothermere believes that this is the way to boost the circulation of his publications, I beg to differ.
EARL DE LA WARR
Ruckhurs Park,
Sussex

A message for phone users

Sir: How about the mobile phone companies ("A word in your ear about mobile phones", 24 May) arranging a special code to be tapped into the phone just before the owner drives off? As with the current answering service, the caller would hear a recorded message and perhaps a short beep would alert the driver that a call needed returning as soon as there was parking space available. As you said, portable telephones are now everywhere and no longer beloved status symbols. The message "I cannot answer my phone while I am driving but will call you back as soon as I can pull off the road" would give the owner the double satisfaction of importance and righteousness – an inducement far more likely to solve the phone / driving problem than extra legislation.
FM BASLEY
Sudcup, Kent

Sir: I have just read Paul Spencer's letter on mobile phones (28 May). It occurs to me that 30 years ago a virtually identical letter could have been written by an opponent of stronger legislation on drunken driving: "Any legislation to ban us of alcohol by motorists would be another example of knee-jerk lawmaking on the back of quite justified public sympathy for an innocent motorist killed. The point about this recent case is that the driver was not just drunk; he was also careless. Many thousands of innocent beer drinkers should not be penalised for the few who are guilty".
ANNE-MARIE SUTCLIFFE
London SW16

Dental memories are made of this

Sir: The answer to Alec Just's memory problem (Letters, 29 May) was first explained by the German psychologist Elizabeth Zeigarnik in 1927 when she found that memory for uncompleted tasks was superior to that for completed tasks. Interrupted, or uncompleted, task generate "tension". However, this tension dissipates over a relatively short period of time, certainly less than 24 hours, after which there is no difference in task recall. Hence Mr Just's daily dilemma.

My solution to Mr Just's specific problem is that he cleans all but one of his teeth. Adopting a rota for omission should help to ensure continued dental hygiene. Alternatively, he could try drinking all his coffee.

Dr PETER DAVIES
Head of Department of Psychology
University of Leeds

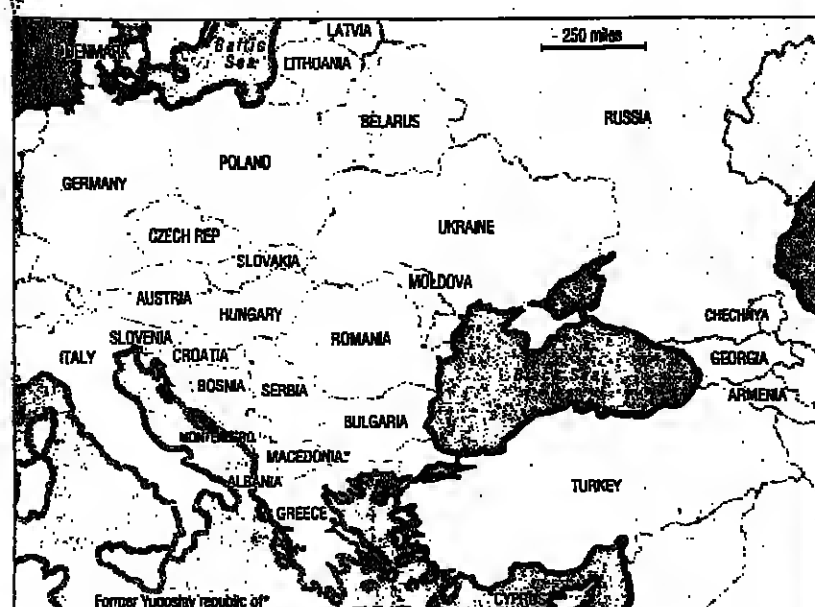
Rewarding word: from R B Kitaj

Sir: It seems that the commentaries accompanying R B Kitaj's paintings in his retrospective exhibition at the Tate Gallery in 1994 are still a matter of controversy ("Kitaj and the firing squad", 27 May).

I should therefore like to record my appreciation of these. At an exhibition, I find it far more rewarding, after straining through my bifocals, to find such informative commentaries than simply to learn that a work is "Untitled, 1990. Private collection Switzerland".
R COOK
London W11

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analysis



Although war, persecution and internecine strife have tortured the peoples of Europe for the whole of this century, there are signs in the East of a more peaceful and tolerant future, writes Tony Barber

Europe can live in wedded bliss

To those who dream of a better, more peaceful, more tolerant Europe in the next century, the Liska cemetery in the divided Bosnian city of Mostar has a tale to tell. It contains the remains of Muslims and Croats who were killed in 1992 when fighting together against the Bosnian Serbs. It ought to be a place for private grief and reflection; but in modern Europe, it seems, nationalism refuses to leave even the dead in peace.

Mostar's Croat mayor, Ivan Prskalo, wants to exhume the remains of people buried in the cemetery, ostensibly because their shallow graves pose health risks. The real motives behind his proposal are, to Muslims and Western diplomats monitoring the situation, transparently clear. They are to separate the remains of Croats from those of Muslims, to create an "ethnically cleansed", purely Croat cemetery, and to erase from history and people's memories

the fact that Croats and Muslims were once united in a common cause.

This unpleasant episode serves as a reminder, if Europeans need one, that extreme nationalism, political persecution and the aggressive celebration of one people's supposed superiority over another have been features all too typical of our continent in this century. From Ireland to Russia, from Germany to Turkey, national, ethnic and religious minorities have been the victims of hatred and violence on a scale without historical precedent.

Although almost 50 years passed without a major conflagration after 1945, the Bosnian war confirmed that Europe had not seen the last of conflicts set alight by extremists in positions of power and fanned by popular cultures of nationality or ethnically based intolerance, rivalry, suspicion and ignorance.

But was the Bosnian war exceptional? Are Mr Prskalo and others like him members of

a dying breed? Will Europe prove capable of overcoming poisonous nationalisms in the next century, or will nationalism still poison Europe?

With the emotions of Serbs, Croats and Muslims still raw, and with the long-simmering Cyprus dispute threatening to boil over once more, some Europeans find more grounds for pessimism than hope. Yet the picture is by no means uniformly bleak. In much of central and eastern Europe, the region most troubled by nationalist and ethnic confrontations in recent years, the waters are calmer than at any time since the demise of Communism in 1989.

Hungary and Romania, two neighbours with historical grudges against each other, have signed a treaty pledging respect for existing frontiers and minority rights. So have Hungary and Slovakia. Romania and Ukraine are set to follow suit. Further to the north, Poland has settled its borders and proclaimed new friendships with Germany and Lithuania.

These treaties could be dismissed as mere pieces of paper, which any of the governments in question will disregard if it feels so inclined. However, when compared with the various broken promises of lasting peace and goodwill that the states of western, central and eastern Europe made to one another in the 1920s and 1930s, the new treaties seem to carry greater sincerity and weight.

For one thing, the Hungarians, Romanians, Ukrainians and others recognise that the treaties have an intrinsic value, bearing on the region's stability and prosperity. For another, there is, this time, no great outside power – an expansionist, racist Nazi Germany or an anti-Communist Soviet Union – wishing to subjugate the region.

Lastly, if the new democracies that have signed the treaties of reconciliation wish to be included in the most important Western institutions, notably Nato and the European Union, they will have a strong incentive to honour their commitments.

point bluntly in Washington on 15 May when she warned the visiting Croatian foreign minister that recent Croatian mob violence against minority Serbs had been intolerable and would hold up Croatia's integration into the Western world.

The lesson applies to Slovakia, too, though in less stark fashion. Thanks to the bullying intolerance and occasionally sinister political methods of its prime minister, Vladimir Meciar, Slovakia is being left behind as its Czech, Hungarian and Polish neighbours proceed to Nato membership.

Thoughtful Slovaks realise this and are impatient for the chance to vote out Mr Meciar at the next election. They see how the international image of Bulgaria and Romania under went a vast improvement after the recent election victories of reformist opposition movements. In Romania, the triumph of enlightened democrats over ex-Communists and racist nationalists could prove to be a watershed in the nation's history, a decisive break with this century's Romanian tradition of reaction, repression and extreme nationalism.

The promising example set by the new leaders of Bulgaria and Romania, Ivan Kostov and Emil Constantinescu, has been matched to a considerable extent by Greece's Prime Minister, Costas Simitis. For several years after 1992, Greece's foreign relations were in turmoil. Quarrels with Albania, the former Yugoslav republic of Macedonia and Turkey left Greece isolated in the EU and with no many friends outside, one embarrassing exception being Serbia. A mood of nationalist hysteria was being encouraged

inside Greece over the alleged threat to the country posed by ex-Yugoslav Macedonia.

Mr Simitis has tried with some success to change all this, since he replaced the dying Andreas Papandreu as prime minister in early 1996. He has played down the Macedonian issue, cultivated better relations with Albania and, most strikingly, taken several small but significant steps in the direction of a dialogue with Turkey. Of these, the one winning most attention is the decision to set up a committee of Greek and Turkish experts to look at what are called "procedural aspects" of solving the problems in Greek-Turkish relations.

It may not sound like much, but the importance of this initiative becomes clear when it is remembered that it is less than 18 months since Greece and Turkey came close to war over a crop of disputed islets in the Aegean Sea. More than a few European diplomats and foreign policy specialists have warned recently that, if a war were to break out in Europe early in the next century, the likeliest cause would be Greek-Turkish hostility. Tensions on Cyprus rose last year to levels unseen since the 1974 Turkish invasion, and grew especially sharp last January when the Greek Cypriot government announced that it was buying a batch of Russian surface-to-air missiles.

It would be futile to pretend that these tensions are going to disappear quickly, or that the type of virulent nationalism that led to Greek-Turkish wars in the first quarter of this century is on the point of dying out. Yet it may just be that, having looked at the abyss, the Greek

and Turkish governments have decided to pull back. There is certainly a more positive spirit of co-operation in the Aegean air now than for many a year. It will need active involvement from the United States and the EU to keep it alive.

Further east, in Russia and Ukraine, the political skies are much less cloudy and threatening than many commentators in the West assume. Ultra-nationalism and ethnically related violence, two vicious products of the collapse of Communism in 1991, are on the wane. Three particular developments in the last year suggest that Russia and Ukraine, whose stability is so crucial to Europe's security, may have passed the point of greatest danger.

The first is the end of the Chechen conflict, a war which showed Russia's young democracy in its worst light. It seems unlikely that President Boris Yeltsin and his newly appointed reformist government has any intention of relaunching the war. That, in turn, reduces the risk of multiple Russian-Islamic guerrilla conflicts extending across much of the northern Caucasus for well into the next century. Such a risk appeared quite high when the Russian army intervened in Chechnya in December 1994.

The second development is the lapse into relative obscurity of Vladimir Zhirinovskiy and his noxious brand of extreme Russian nationalism. Even the more sanitised version purveyed by the neo-Communist Gennady Zyuganov, Mr Yeltsin's presidential challenger last year, has less and less popular appeal in Russia.

The third is the successful consolidation of the Ukrainian state and the absence of any substantial separatist movement in the Russian-populated regions of eastern Ukraine. Russian separatism in the Crimean peninsula loomed as a serious threat in 1993-94, but now seems a spent force. Though not yet settled on firm foundations, Russian-Ukrainian relations no longer provide grounds for fearing the apocalypse of a war that might suck in the rest of Europe.

The gradual stabilisation of central and eastern Europe is symbolised by Nato's deal this week with Russia, under which the two sides will forge a close political and security partnership while enabling the Western alliance to incorporate the Czech Republic, Hungary and Poland. It is a deal that needs to be followed up with special arrangements for others in the region, notably Ukraine and the Baltic states. The EU's enlargement eastwards will also help.

There are, then, some grounds for hoping that Europe will be a more secure, more tolerant continent in the next century. But will it lead, in time, to the emergence of a common European identity, complementing national identities?

Massimo d'Alezio, the Italian statesman, said after the 1859-60 Wars of Unification: "We have created Italy. Now we have to create the Italians."

In this century, after two world wars and the Cold War, Europe is finally being created as a free, undivided entity. To create Europeans is the task of the next.

Beauty and the beast: Chechen fighters last September take a break from their war with Russia to celebrate a wedding Photograph: Natalie Medvedeva/Reuters

Beauty and the beast: Chechen fighters last September take a break from their war with Russia to celebrate a wedding Photograph: Natalie Medvedeva/Reuters

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Say what you like about me. I'll patent it

The retiring Eric Cantona, football's kung fu philosopher, is applying for a couple of copyrights. The proceeds from which will help see him through his old age. The first of these is for the words *Ooh-ah! Cantona!* – a slogan invented and chanted by faithful fans at Old Trafford. The second is the number 7 with his name on top – as emblazoned on the back of the Manchester United shirt that he wore with so much success.

Eric has a point here. There are thousands of rough-looking men with hairy necks making a packet out of selling Cantona shirts and *Ooh-ah!* memorabilia. In the latter case, it can only be a matter of time before the words fall into the hands of pornographers and are used to sell unpleasant products. And all this happens – or is yet to happen – without the star earning a sou from it himself. You can hardly blame him for wanting to cash in on his own act.

Ah, I hear you object (though not *ooh-ah*, I think), but isn't it a bit odd claiming

a copyright on words and things that you have not invented or created yourself? Why has Eric not taken out a copyright on, say, "When the seagulls follow zee trawler, zee do set because zee zink zat sardines will be thrown into zee sea"? This is undeniably his own work, and neither the seagull nor the sardines are likely to contest his right to the words.

Well, that's not exactly watertight either, is it? Consider the phrases that people might be said to have made their own either by invention or constant repetition. Remaining in the world of football for just a moment, Arsenal striker Ian Wright, who has this week booked in on an "anger management" course, would face stiff competition from fellow pros for Millerisms such as "F*** off, ref – you short-sighted little c***s!"

Nobody other than the estate of the late Larry Grayson would be able to print the words "shut that door!" without paying a hefty commission. Whoever got "the cheque is in the post" would pretty soon never have



David Aaronovitch

to use the phrase again. What about the man or woman who successfully manages to corner the market in "make mine a half"? Within months, this person would rival the inventor of cat's eyes by earning unbelievably huge sums from millions of teeny copyright payments.

So there are problems even where authorship is the issue. Where it is not, the case becomes even more interesting. If it is possible to copyright what others say or write about you, a whole new world (my apologies to Disney; the

cheque is in the post) of rights opens up.

Let us allow straightaway for a time limitation on such actions. It would seem unfair for the Porsenna family of Volterra to be able to sue the Macaulay ancestors for 150 years of "Lars Porsenna of Clusium, by the nine Gods he swore".

The six wives of Henry VIII would never be out of court, and if there had been such a man as the Ancient Mariner, dozens of 20th century descendants could now be expecting a big payout: friends and acquaintances would never hear the last of it. Fights would break out over who Don Giovanni was, and DNA tests taken to establish whether Eroica was the name of Beethoven's secret mistress.

This cannot be an argument against taking action, however. Is it fair to Peter Mandelson that others should be able to cash in on "New Labour's Macchiavelli" and he doesn't get a sausage? Or to the Prime Minister that T-shirts are already on sale bearing the number 10 and the legend, "Call Me Tony"? Surely every time the image

of John Major wearing his underpants outside his trousers appears, Mr Major (who, after all, bought the underpants in the first place) should get something.

Yes, there are dangers. There will be what the Americans call "class actions", with large numbers of claimants going after the same rights. Bald men will band together over "slapheads", plump ones over "fatty", and large-bosomed women over "cor, look at the knockers on that!" And if one of the consequences were that these newly expensive phrases got trotted out less often, would that really be so bad?

But let me come clean – I can also see some pecuniary advantage for myself in all this. My own avaricious eyes are set on "what on earth is funny about that?" and "if I looked like him, I'd ask not to have a photo at the top of my column". And just this week I sensed that I could have earned a few quid had I nipped down to the copyright office and registered "thank God Miles Kingston is back on Monday!" Which, of course, he is.

It's a but Ce earne

Hope

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صكنا من الامل

the commentators

It's a Lottery – but Camelot has earned its dosh

Try as I may, I cannot join in the universal outrage over massive pay rises for the directors of the National Lottery operator, Camelot. Pay them the dosh, I say, they are entitled to it. And I am not being ironic. Yes, donations by the Lottery to good causes fell by £143m last year, but the bonus that has netted its chief executive Tim Holley an increase from £385,000 to £590,000 a year was the terms of the contract that Camelot signed with the Government, linked to the company's performance in the preceding year, which raked in much higher amounts.

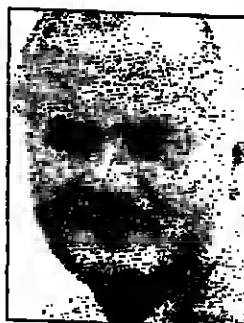
That contract was designed to maximise the amounts of money the lottery raised. The government wanted this because payments to the so-called "good causes" in many cases are substitutes for amounts that previously came from the public purse. And as well as saving on public spending, it also brings in extra taxes. To date £1.4bn has gone into the coffers of the Treasury, in addition to the £3.6bn saved in donations to good causes. In order that it should yield such huge sums, the Government set performance targets for the first three years of lottery operation, and the Camelot bosses have met them.

That's the way the private sector works. Directors can pay themselves whatever the market will bear and their shareholders will tolerate. Camelot's shareholders – all large, quoted companies such as De La Rue, Cadbury Schweppes, JCL and Racal, for there are no individual small shareholders in Camelot – presumably are quite happy with the situation. And individuals who hold shares in Cadbury etc must be happy too, having benefited from higher dividends as a result of their share in the Lottery booty. All shall have prizes.

Indignation at the whopping pay increases – Camelot's communications director David Rigg got a 90 per cent rise, from £175,000 to £333,000 a year – is based on the insistence that the Lottery isn't really part of the private sector. Rather, as a government monopoly administered by a private sector company, it is seen as a hybrid, which must remain sensitive to political considerations.

It is precisely this hybrid state of affairs that prompted free-marketisers to insist, when the Lottery was launched, that there should be no monopoly. Instead they wanted to allow as many lotteries as the public would support. Then there could be no public utility-style "fat cat pay rows", because the lottery sector would be genuinely open to competition.

The trouble with that, as even a party as ideological as the Tories could see, was that it would raise a lot less money. In lotteries, size matters. It is massive prizes that attract punters. So does a slot on prime-time TV (Camelot said yesterday that it wanted a third one, to boost scratch card sales) and you couldn't justify that for every draw in a market free for all.



Paul Vallely

The public feels it is OK to make a fortune from playing a lottery, but immoral to do so by running one

Of course, the whole enterprise is shot through with rank hypocrisy. It is unclear why the British public feels that it is OK to make a fortune from playing a lottery, but somehow immoral to do so by running one. Here "good causes" are usually dragged into the argument. But, overall, the Lottery has undermined the charitable sector – money from flag days, street collections and raffles are all notably down since it began. And if we did have a free market in lotteries you could safely put a quid on the fact that the Provincial Theatres Lottery, the Disabled Sports Lottery, the Third World Landmines Lottery would be swiftly put out of business by the Sod-the-Good-Causes-Here's-the-Big-Prizes Lottery.

Good causes are a fig-leaf. They save consciences that might prick at the naked truth that the National Lottery is an enterprise predicated on greed. And a particularly glib kind of greed, as was acknowledged by Mrs Thatcher, who refused to introduce it when she was prime minister, saying it would sap initiative and promote a something-for-nothing culture.

Her successors ignored that and plumped for a loads-of-money lottery run by private enterprise with target-oriented bonuses to maximise profits. New Labour, like the new climate that has brought it in, does not approve. It wants a non-profit lottery when the Camelot contract runs out, if not sooner. "This is the people's lottery and the money raised from it should reflect the people's priorities," said a sanctimonious statement from Downing Street.

The result will probably be a state-run lottery that is less ruthlessly efficient and therefore brings in less cash. Whatever reforms are introduced to the allocation of lottery cash, the decisions will rest with a body that is inevitably less able to work out the "people's priorities" than the straightforward mechanism of letting them give direct to the charities they approve of. More than that, it will rest upon the same impulses as those that have brought Mr Holley and his fellows their gargantuan pay rises: an elevation of the human craving to grab as much as we can for as little effort as possible.

Let them take the money, and if it helps discredit the whole fetid lottery concept, then so much the better. Saturday's £12.3m National Lottery jackpot winner went into hiding yesterday, on the first day of his new life as a multi-millionaire. Camelot said he and his family had gone on holiday and would not be returning to their three-bedroom terraced home in Mossley Hill, Liverpool, outside which a 19-year-old model yesterday posed topless holding Lottery tickets for press photographers.

When I want to give to good causes I will choose them myself, thank you. When I want to gamble I will look for something with far better odds. And in the unlikely event that I ever won, I would not want to win something that sent me scuttling off into hiding from my past.



What about the pilchard?

by Glen Newey

So "the natural party of government" again has the red boxes in its clutches. Labour rode into power on the back of the British bulldog. But in Millbank and Islington, the traditions of old England aren't everyone's plate of gnocchi. Amid a crowded legislative programme, if not in the current parliamentary session, it also means to ban bunting. The "New" proletariat for Labour, once tribunes of the horny-handed sons of toil, is the poor foxy-wony.

Peter Singer, the Australian utilitarian philosopher and prominent anti-hunting guru, declared in a recent newspaper article: "Fish are often losers in the animal rights debate," a claim underlined by the article's accompanying graphic of a none-too-chipper-looking trout impaled on an angler's hook.

Singer's world is not that of the tiger smooching over offal, or the whale gulping krill. His vision is of nature defanged, and of humans as its moral equal, except where being "human" involves doing what comes naturally to carnivores.

Singer regrets the vogue for discussing animal welfare in terms of rights. Like all fundamentalisms, the animal jihad has spawned its schismatics, like the philosopher Tom Regan, who to Singer's indignation makes his case in precisely these terms. Singer understandably balks at talk of pilchard rights, of sloth suffrage, and so on down the sub-human menagerie to the staphylococci and gonococci. No one much cares for a crab-louse.

Denizens of the jungle – the lion tugging innards from its still-conscious prey – remain happily ignorant of these fic-

tions. Where their rights come from, what justifies them, how they're exercised – all this remains dark.

Instead of rights, Singer advocates utilitarianism, reckoning pains and pleasures in a big sum. It is, however, an imprudent animal-fancier who decides matters thus. You can get an awful lot of steaks out of a cow, and much else besides; utilitarians have to weigh the joy of beef against the pain of slaughter.

But this util-talk of weighing, or of calculation, is idle bombast. Nobody knows how to do the sum, and utilitarians who claim otherwise are deluded or mendacious. This problem is mitigated, though, if the suffering of the abattoir can be eliminated. We can do this by exploiting the knack – at which humans are uniquely proficient – of killing things painlessly. This is more than can be said for the misnamed animal kingdom, which witnesses a savagery unknown to the late Emperor Bokassa.

Singer quotes Jeremy Bentham's question: "Can they suffer?" as the test of moral consideration. But then there's nothing wrong with animal slaughter, as long as it's painless. Singer can eat his fishcake and have it, his conscience salved by the thought that he is only doing what he should. Why settle for less when you can have it all?

Utilitarianism is ill-placed to choose between individuals' preferences. Indeed, the more crazed in their bloodlust people become, the stronger the utilitarian's reasons for propitiating them; utility monsters, devouring all in their maw, jeopardise Bentham's demand that each should count for one and none

for more than one. There may be those – and which utilitarian will censure them? – whose penchant is for animal slaughter, but whose tender consciences forbid them to refrain from consuming its unavoidable by-product, however unpalatable. On the other hand, vegetarians such as Adolf Hitler and Alan Clark MP, grimly masticating their nut-roasts, stint themselves to no good utilitarian purpose.

Singer has dilted on cases like Washoe, the chimpanzee who supposedly learned the rudiments of a vocabulary. Dog-owners will know their charges to be capable of no less. My own Belgian shepherd, only too eager at other times to savage a passing bunny, or rip the postman's arm from its socket, is a veritable Fowler in discriminating the niceties of "walkies", "milk", and "din-dins".

Anyway, basing moral assessment on similarity to *Homo sapiens* betrays a dangerously humanistic bias. Why not take bestial behaviour as our guide, abandoning the quest to detect kinship in every wombat or baboon? Then we could sanction cannibalism, slaughter, incest – in short, the whole gamut of behavioural disorders known to ethology.

The first edition of Singer's hook *Animal Liberation* included an appendix entitled "Eating for liberated people" with a set of meatless recipes, to press an appeal to the belly where that to reason had failed. Many of us, who judged this the finest part of the hook, and used the recipes extensively, were disappointed to see it removed from subsequent edi-

tions. I always found, however, that the recipes could be improved by the addition of some beef-mince, and that dripping made a relishable alternative to the cooking agents Singer recommends. My free recipe-sheet, *Professor Pete's Meat Treat*, is available on request.

Singer deplores "blood-sports" like fox-hunting and angling (but not boxing). This at least goes one step beyond Labour, which remains keenly aware that millions of voters pass their weekends at the end of a line and hook. Unfortunately, Singer misses the most compelling argument against fox-hunting: it's a lamentably inefficient way to kill foxes.

Automobiles slay four times more than the cats in pink. So the best way to contain them is to build more roads. Many more animal deaths – the lambs, chickens and other livestock massacred – will be avoided in the long run.

At the risk of labouring the point, this is an argument for animal welfare: a fox in a hen-run can decapitate 20 birds in a short evening's work. My late uncle Stan was adept at dispatching the culprits with his pitchfork.

Animal welfare is largely a metropolitan fad: the left's decline has made the animal nullars tribunes of a new, conveniently dumb, proletariat. RSPB membership is seven times that of British Amnesty.

A number of fantasies combine in animal activism. The first is that nature is, uncomplicatedly, nice. Singerism offers a politics of ease, with beasts made the mouthpiece for their

human champions' rancour at loss or dispossession. A second is that it is possible to keep a morally clean sheet. But politically the question is not equality, but economy of effort: sooner or later politicians have to decide whether Rwandans or trout matter more.

The third delusion, pervasive in much activism, is the belief, implicit in the rhetoric of anti-speciesism, that the situation of animals resembles historical struggles for human emancipation. Finally, there's the illusion that we could have a perspective on our relations with animals which was other than a human perspective.

Politically, fox-hunting is a red herring, re-staging the old red-in-tooth-and-claw class politics as a *Blue Peter* appeal. This is bad news for our political culture, though of a piece with the vacuo-politics of Blairism. Never mind. The future promises new gastronomic adventures. The ostrich-burger is a fact of life in good supermarkets: a butcher near my home specialises in squirrel-meat.

It's sometimes said that we shouldn't eat meat, because we should regard animals as aesthetic objects, or as fellow passengers on Spaceship Earth. But it's hard to see why seeing animals as fellow Earthlings, or appreciating them aesthetically, should stop us eating them. Indeed, the pleasure afforded by meat-balls or *cassoulet* is one form which this appreciation can take.

Should we worry more about the morality of eating meat than lions do? To the carnivore we can say, as to the gazelle-guzzling jungle cats: *bon appetit!*

The writer is Lecturer in Philosophy at Sussex University.

Hope in the Valleys

Peter Hain, new broom at the Welsh Office, tells Tony Heath how investment is to be redirected to help the old pit towns

Soon after 1 May, a breeze of hope began wafting up the south Wales valleys, once the coal capital of the world, now brought low by pit closures. Things, it was whispered, could only get better. Greened over by the cosmetics of the Welsh Development Agency, the landscape now invites tourist clichés from drivers heading north from the M4. Visitors may even turn off at one of the heritage parks and mining museums before detaching in the open spaces of mid-Wales.

Most former mining villages are now bypassed. Resolven, where Peter Hain, MP for Neath and Welsh Office minister charged with promoting the principality's economy, lives, is one such community. Speaking exclusively to *The Independent* this week, he explained how he intended to bring some of the prosperity enjoyed in the coastal regions 20 miles south to his adopted home area.

"The problems faced by the 600,000 people living in the valleys are those of an inner-city spread across an area 60 miles by 20," he declared. How did the problems of high unemployment, rising crime, a drug culture and social decay come to be visited on scores of communities once so cohesive that front doors were routinely left unlocked, and co-operation rather than competition ruled?

With Tory support in the valleys always low, it was not surprising that in the last 18 years public money was thrown at prestige projects like the Cardiff Bay development and at big overseas investors setting up along the M4 corridor. The valleys remained the poor relation. In 1988, the then Welsh Secretary Peter (now Lord) Walker launched "The Valleys initiative" to a deafening publicity fanfare. The scheme, subsequently repackaged by his successors, was long on public relations and short on action.

Dr Kevin Morgan, of the department of planning at the University of Wales, Cardiff, is dismissive. "It was simply a slick marketing exercise," he said. Mr Hain concedes that the valleys were greened and the

environment upgraded, but adds: "Jobs were simply stripped away." Around the time he entered parliament in 1991, Blaenau, the last colliery in the constituency, closed with the loss of 600 jobs. It was a devastating blow which fuelled a determination to fight back. Mr Hain persuaded British Telecom to join a pri-



vat/public partnership to set up a first attempt at a hi-tech industrial village. Still in its early stages, the project has brought hope to the community. Now in office, he has asked his officials to develop the "industrial village concept".

Mr Hain points out that valley communities are not like the rural retreats of the West Country or the Lake District. Neither are they a commuter belt sending staff to the hi-tech factories along the coastal strip. Public transport is poor. Privatised bus services are patchy. Many rail links were ripped up when collieries closed, marooning sizeable towns. The rugged terrain rules out large factories. The policy of putting sheds – the term for mini-factory estates – on reclaimed land has not been wholly successful.

Some of the £7bn Welsh Office budget is likely to be switched to establishing

industrial villages as bases for suppliers to the big M4 investments. The £1.6bn project by the Korean electronics conglomerate LG taking shape at Newport offers a way forward. LG itself will employ 6,000, with another 15,000 jobs estimated to be created in the supply trades.

"I shall be telling companies such as LG that we want their suppliers to locate in the valleys," Mr Hain asserts. Making sure that the benefits promised by the big hitters radiate outwards will be a priority.

Mr Hain will today make what he hopes will be the first of a series of "good jobs news" announcements. He has a fine line to tread, balancing the claims of major overseas investors stuffed with yen or marks with those of smaller firms. There must be a move towards positive discrimination in favour of the valleys. "After all, these places were born as industrial villages when coal was discovered. A lot of blood and sweat was shed when they acted as the energy powerhouse of Britain. There is a debt owing – one which in all conscience must be repaid," he says.

From his home above Resolven, the minister has a sweeping view of a landscape changed beyond recognition since the pit-closure programme galloped ahead after the 1984-85 strike. A dual carriageway snakes up the valley. Hillsides are clothed in conifers. A canal has been massaged into a tourist attraction. A couple of years ago, the valley played host to the Royal National Eisteddfod. Another change on the horizon gnaws away. Lucas is closing its factory at Neath eight miles down the valley with the loss of around 600 jobs. Production is being shifted to Poland, where the wage bill will be slashed in half.

Undeterred, Mr Hain is adamant: "Wales is the place to be. I want to see that the valleys are marketed properly. People here are adaptable and flexible – and proud. They've been through troubled times." A new broom, he is intent on sweeping cleanly, and hopes to turn the zephyr of hope into a wind of economic change.

It's a plane, it's a train ... it's free

Yesterday's announcement by Eurotunnel, the company behind the Channel Tunnel – which could be in profit by 2005 – may have had bankers and small shareholders reaching for their pearl-handled revolvers. But even if the motley crew of French dentists and lawyers, American distressed-debt fund managers and Japanese bankers might not be missed, they should not pull the trigger.

The company may be mired in £9bn of debt, with shares once worth nearly £12 now trading at 70p, but it still commands public loyalty, has more than 50 years of its licence to run, and has realised a century's worth of engineering dreams in bringing London closer to Paris than Edinburgh.

What makes commercial suicide an option is the company's previous pronouncements. In 1987, Eurotunnel predicted it would be profitable in 1994. In 1990, it said it would be making money by 1997; three years later, the company told its shareholders and debtholders that it was only eight years away from going into the black. Last year it lost £685m.

Though it is a creature born of a desire to reach the future, the lesson for the Channel Tunnel lies in the past. Twenty years ago, the breadth of another crossing, that of the Atlantic, was forever altered by a high-profile, high-tech Anglo-French collaboration – Concorde.

Drop below the clouds obscuring history, and you will remember that Concorde was a white albatross that no airline, not even the French and British flag carriers, wanted; a project that was almost shot down seven times by successive gov-

ernments in the Seventies, its cost taxpayers in two countries £1.2bn. Now it is known not as a commercial disaster, but as a triumph of technology.

It is the only commercial airliner that, flying east to west, can overtake time, and it does not rust because its sound-booming speed vaporises water on its surface. British Airways even has the chutzpah to say it is making money from its fleet of sleek, supersonic jets. This is slightly disingenuous, as it received seven planes free thanks to the largesse of the public purse.

When it came to building the Channel Tunnel, the invisible hand of the market had slapped governments so hard that pouring taxpayers' cash into a state-funded grand project was not considered. Instead, the canny administrations ensured that the price of progress was paid for by the private sector. Entrepreneurial flair bored the 30km concrete tube through 10m of chalk under La Manche; private capital costed the risks. Now big business is praying it has not got its numbers wrong. Again.

But the moneylenders' loss is the public's gain. The Tunnel has been the greatest commercial disaster of the 20th century. Imagine the outcry if Eurotunnel had been kept going with cash from the state, until it could be handed over to the private sector who then used it as a sparkling loss leader for a privileged few. Instead, after years of receiving lectures from business about the inefficient, bloated public sector, it is worth noting that the market, in Eurotunnel's case, has proved as inept as the state.

Randeep Ramesh

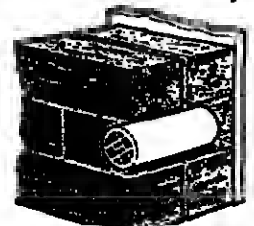
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US banks snap up quarter of Tunnel debt

Michael Harrison

Eurotunnel's hopes of survival improved markedly yesterday after it emerged that a handful of big US banks now control nearly £2bn of the £9bn in debt owed by the Channel Tunnel operator.

The prospectus for Eurotunnel's financial reconstruction, due to be sent to shareholders and banks in the next few days, shows American banks, led by the New York investment bank Lazard Frères, have acquired 24 per cent of the debt, mainly from small Japanese banks.

This increases the likelihood of the complex restructuring being approved by the banking syndicate when it votes on the deal in the autumn. Approval is also needed from Eurotunnel's 720,000 shareholders at an extraordinary meeting scheduled in Paris on 10 July.

The restructuring will see the banks emerge with a stake of at least 45 per cent in Eurotunnel by swapping £4.7bn of their debt for shares and other forms of paper. Eurotunnel executives had feared being held to ransom by a minority of renegade banks since the restructuring needs the support of 100 per cent of the syndicate.

This is still possible but it is less likely following the changes in the banking syndicate. The number of banks has fallen from 225 to 174 and the share of the £3.7bn in junior debt owed to Japanese banks has fallen from 19 to 8 per cent.

The debt is thought to have changed hands at about 40-45 per cent of its face value during a six-week period starting at the end of March. A fifth of Eurotunnel's debt is now owned by just four US banks. The biggest of these is Lazard, which controls 8.7 per cent of the debt with a face value of £757m, followed by Bankers Trust, Merrill Lynch and Bank of America.

The prospectus forecasts that Eurotunnel will break into profit

in 2005 and start paying dividends in 2006 provided more optimistic traffic assumptions prove accurate and the high-speed Channel Tunnel rail link opens on time in 2003.

If revenues are lower, interest rates higher than forecast, the railways perform more poorly and the ferry operators remove less capacity, then Eurotunnel says it will take until 2010 to start paying dividends.

The restructuring needs to be approved by two-thirds of French investors and three-quarters of British shareholders in July. For the meeting to go ahead, shareholders speaking for at least 25 per cent of Eurotunnel's equity must attend or have sent in proxies.

Patrick Ponsolle, Eurotunnel's executive chairman, told an analysts' meeting in London yesterday that if the restructuring was not approved then insolvency procedures would probably have to start in Britain and France.

The prospectus shows that the financial restructuring will cost Eurotunnel £52m in fees and expenses. This is made up of £25m in bank fees and £27m in advisory fees and Eurotunnel's own costs. Its main financial adviser is Dresdner Kleinwort Benson.

The prospectus also discloses that Eurotunnel's directors will be eligible for medium-term bonuses worth 50 per cent of their salaries if the company meets certain targets on operating profits. This is in addition to 30 per cent annual bonuses already payable. Mr Ponsolle receives a salary of £2m while his British counterpart Robert Malpas gets £160,000.

Eurotunnel has produced a range of forecasts depending on traffic levels and whether its concession is extended to 99 years. With an extension, the upper case projects pre-tax profits of £110m in 2005. Without one, the lower projection forecasts a loss of £31m in 2005.

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Cash queue: More than 10,000 people lined up to collect either refund cheques or, for a lucky few, share certificates

Stephen Vines
Hong Kong

Beijing Enterprises shares treble in price

Beijing Enterprises, the most oversubscribed new issue to come to the Hong Kong market, fulfilled expectations by making its debut yesterday with a trebling of its issue price.

It also topped the list of most actively traded stocks with 2.57 billion shares changing hands during the day. More than 10,000 people joined a monster queue to collect refund cheques for unsuccessful applicants, and share certificates for those lucky enough to grab a slice of the action.

Speaking at the launch on the floor of the Stock Exchange, Beijing Enterprises chairman, Hu Zhaogang, who is also a vice

mayor of Peking, said: "We know expectations are great and we are feeling the pressure to make the company perform and meet these expectations."

At current levels the shares are rated at more than 60 times forecast profits, compared with a market average of some 16 times. This implies a Herculean task for Mr Hu and his colleagues, who preside over a hotchpotch of investments ranging from McDonald's ham-

burger bar franchises to interests in China's largest brewery and the administration of ticket sales for the Great Wall.

Many of Beijing Enterprises' investors took their profits but Li Ka-Shing, Hong Kong's most influential investor, said his company, Cheung Kong Holdings, planned "to keep this investment for a very, very long time". Investors had to bid for at least 700,000 shares to secure an allocation of some 2,000.

It is hard to estimate how much Beijing Enterprises profited from overnight interest on cheques cashed in following the frenzied subscription rush which drew in HK\$258.8bn (£18.9bn) as the issue was oversubscribed 1,276 times. One source connected with the issue said the interest earnings had totalled over £60m.

The enthusiasm for Beijing Enterprises, a so-called "red chip" counter, reflects the belief

that companies with strong political connections are likely to flourish when Hong Kong returns to Chinese rule in July.

The newly listed company, in which Peking's local government holds an indirect 69 per cent stake, is seen as a premier example of a political deal maker which will leverage its connections to draw in the kind of business prospects denied to outsiders.

Mr Hu was quick to place a political interpretation on the success of his company's listing. "It reflects people's confidence in Hong Kong after the hand-over," he said.

However, the last great red chip bonanza, which erupted in 1993, quickly gave way to doubt and then disillusion.

ScotAm members set for payouts of £1,400

Nic Cleutli
Personal Finance Editor

About 1.1 million members of Scottish Amicable, the mutual life company, look set to receive payments averaging more than £1,400 after the firm was taken over by Prudential, the UK's largest insurer, it was revealed yesterday.

The payments will be made in cash or added as bonuses to members' policies. In addition, the company said terminal bonuses averaging a further £470 each would be added to policies when they matured.

The proposal, hammered out in discussions with Prudential, involves payments totalling £1.6bn, which includes distributing the assets of ScotAm's with-profits fund to policyholders. ScotAm said details of the likely payouts would be mailed to members in the coming week. Policyholders will vote on the deal at a special meeting on Friday 27 June.

Sandy Stewart, chairman of ScotAm, said: "Members now have the opportunity to vote for a package which will provide additional financial security and the prospect of improved future investments returns leading to enhanced payouts."

"With-profits policyholders will also receive an immediate cash lump sum as compensation for the loss of membership and substantial additional bonuses on their lump sums."

ScotAm's announcement brings to an end months of speculation over the scale of likely payouts in the wake of its acceptance of Prudential's bid for the company. Prudential's intervention followed the decision by the ScotAm board in January to propose a complicated two-stage flotation process under which members would have received a one-off payment worth £75m plus a further bonus of up to £450m after three or four years.

However, the proposals sparked widespread unease after it was revealed in the Independent that key members of the board had also allotted themselves a maximum of up to £14.4m in cash and shares if they were able to grow the company significantly over those years.

ScotAm's proposals triggered a rival £1.4bn bid for the firm by Abbey National, only for the bank to be outbid by Prudential at an auction which included AMP, the Australian insurer.

The present proposals include a minimum cash payment of £250 to all eligible policyholders. In addition, further payments will be made depending on the number of years a policy has been held for and its sum assured.

For example, a 25-year endowment started in 1987 to meet a £50,000 mortgage, with a sum assured of £17,500, would trigger a automatic cash payment of £250 plus a further payment of £420 to make £670 in total. In addition, an extra £1,100 would be attached to the policy as a special bonus and a terminal bonus added at maturity.

The scale of the payouts rests on the fact that Prudential is closing down the ScotAm life fund, ensuring policyholders get the benefits.

Gavin Stewart, general manager at ScotAm, said: "This is a very good deal for policyholders. They are doing very much better because of the particular way the deal is structured, unlike previous life company takeovers."

Utilities: United criticises Offer for underestimating scale of electricity roll-out as two water companies announce rise in profits

RECs will not meet competition deadline

Chris Godsmark
Business Correspondent

Most electricity companies would not meet the April 1998 target date to start the roll-out of domestic competition, Professor Stephen Littlechild, the industry regulator, admitted for the first time yesterday.

The progress report by the electricity watchdog, Offer, concluded that just three of the 12 regional electricity companies (RECs) would meet the deadline, confirming what had become an open secret in the industry. They are Eastern, Seaboard and Yorkshire, along with the Electricity Pool, the wholesale power market. The remaining companies, including the two Scottish power groups, will be ready by July with the possible exception of Southern Electric which could be even further behind. Offer said there could be financial penalties for latecomers.

Professor Littlechild defended the delay, arguing it was a considerable improvement on previous industry rumours of

a 12-month postponement. "The general impression was that a much longer delay was envisaged. To keep it within a few months I think it is a really significant achievement given the magnitude of the task."

But the largest REC, Eastern, claimed full competition could slip to 1999. Offer's aim is to introduce choice to 26 million households by postcode area in a phased process lasting six months. John Devaney, Eastern's executive chairman, said: "It could take two years for the whole. We don't make this timetable. They're in difficulties but no one wants to own up to how long it will really take."

Professor Littlechild insisted he did not foresee any further delays. "That's not what we are expecting at the moment. They don't foresee this on the basis of what they say they can do."

Several RECs also renewed their criticism of Offer's project management. Brian Staples, chief executive of United Utilities, which owns North, said Professor Littlechild "had never

wanted to stand up and grip it". Mr Devaney said Offer had underestimated the scale of the task.

A new dispute with Offer was looming last night over how much of the development costs would be passed on to customers. Mr Staples stood by his estimate that competition would cost the industry £1bn, against Offer's estimate last week that up to £383m could be included in customer bills.

Mr Devaney said costs were still "a huge issue", estimating competition would cost Eastern £50m. Mr Staples added: "Professor Littlechild's estimates are wildly away from reality. I don't think he looks at these things in a pristine manner."

United Utilities yesterday revealed a 14 per cent increase in annual pre-tax profits before exceptional write-offs to £444m and raised its dividend by 13.9 per cent to 37.2p. Sir Desmond Pitcher, United's chairman, said he "couldn't even contemplate" a legal challenge to the windfall utility tax until he saw the detailed legislation.

Chris Godsmark

City lawyers and advisers pocketed £5.2m from South West Water last year working on the group's response to the Monopolies & Mergers Commission investigation into two hostile takeover approaches.

The bid costs came on top of £700,000 spent the previous year, bringing the total to almost £6m, most of which was shared between solicitors Allen & Overy and other merchant bankers and advisers. The bids, from neighbouring Wessex Wa-

ter and Severn Trent Water, were ultimately blocked by the government. Ken Hill, South West's finance director, insisted the costs were "towards the bottom end" of other MMC investigations.

South West yesterday joined in the wave of generous utility company dividend hikes, raising its payout to investors by 20.3 per cent to 36.7p. Pre-tax profits were up 21.5 per cent to £132.6m. Mr Hill said the dividend, costing £47.4m, had to be set against a £15 customer rebate, which cost the company £10m.

The group sounded a less combative note on opposition to the windfall tax. Ken Harvey, the chairman, recognised the Government had a mandate to implement the tax. "We just have to recognise it's likely to happen. We are not going to be at the forefront of any legal challenge. We are not going to be out there doing the same things as British Telecom have been doing," referring to BT's recent outburst threatening the possibility of court action.

However Mr Hill warned that any moves to toughen leak-

age targets would have to be included in the next price review by the regulator. Around 21 per cent of South West's water leaks from company pipes, with a further 6 per cent from customer pipes.

Asked about the possibility of a mandatory free leakage repair service for customer pipes, a service already offered voluntarily by some water companies, Mr Hill said: "We might do it voluntarily, but it would be logged in the next price review."

The share price rose by 3.5p to 698.5p.

Mid Kent considers bid for Folkestone

Mid Kent Water yesterday unexpectedly signalled its interest in buying neighbouring Folkestone and Dover Water Services, owned by one of the two French utility giants which were blocked from buying the Maidstone-based group earlier this year after a lengthy Monopolies & Mergers Commission investigation, writes Chris Godsmark.

Goff Baldwin, chief executive of the Mid Kent Holdings parent company, said he had raised the possibility of a bid for Folkestone and Dover with

General Utilities, part of Generale des Eaux, the utility conglomerate which owns 24 per cent of Mid Kent's shares. Saur, the other French group which owns South East Water, sold its 20 per cent stake in Mid Kent after the proposed joint bid was blocked by Ian Lang, former President of the Board of Trade.

"It's something we've talked about with General Utilities. But we are not going aggressively into battle," said Mr Baldwin. He said it would be a good way for General Utilities

to realise the value of its investment in Mid Kent, should it decide to sell its shares.

Mid Kent defended the £2.4m cost of the MMC process, much of which had gone to pay its lawyers, Norton Rose. But Mr Baldwin was concerned that the DTI had still not imposed formal undertakings on the two groups to prevent further bid approaches.

"We were in the pending trial when John Major called the election. The undertakings need reconfirming. I want as-

surances from the DTI that they will be in place," he said.

The comments came as Mid Kent announced a 12 per cent rise in annual profits to £13.8m and signalled its intention to seek shareholders' approval to buy back 10 per cent of its shares.

STOCK MARKETS						
Index	Close	Day's change	Change (%)	1996/97 High	1996/97 Low	Yield (%)
FTSE 100	4672.30	-5.20	-0.1	4683.90	4056.60	3.51
FTSE 250	4608.20	+0.20	+0.0	4729.40	4489.40	3.61
FTSE 350	2261.90	-0.20	-0.1	2272.10	2017.90	3.53
FTSE SmallCap	2298.88	-0.91	-0.0	2374.20	2178.22	3.06
FTSE All-Share	2220.52	-1.88	-0.1	2230.98	1989.78	3.49
New York	7336.62	-20.61	-0.3	7383.41	5932.94	1.69
Tokyo	20312.23	-38.11	-0.2	20499.75	17303.85	0.811
Hong Kong	14416.57	-138.91	-1.0	14556.48	12053.17	2.951
Frankfurt	closed			3674.36	2846.77	1.501

Source: FT Information

INTEREST RATES						
Index	1 Month	1 Year	Medium Bond (%)	Long Bond (%)	Yield (%)	Yield (%)
UK	6.41	6.97	7.24	8.06	7.30	8.18
US	5.58	6.18	6.77	6.87	7.00	6.86
Japan	0.53	0.81	2.63	3.19	-	-
Germany	3.08	3.28	-	6.42	6.74	-

CURRENCIES						
Index	Yesterday	Change	Year Ago	Index	Yesterday	Change
\$ (London)	1.6397	+0.15c	1.5193	£ (London)	0.6899	-0.05
\$ (New York)	1.6400	-0.06c	1.5306	£ (New York)	0.6898	+0.03
DM (London)	2.7820	+0.24c	2.8477	DM (New York)	1.9967	-0.01c
¥ (London)	190.156	+¥1.034	165.211	¥ (New York)	115.970	+¥0.52c
¥ Index	93.1	+0.1	85.4	\$ Index	102.4	+0.1

OTHER INDICATORS						
Index	Yesterday	Day's change	Year Ago	Index	Yesterday	Day's change
Oil Brent \$	19.24	+0.09	18.63	RPI	156.3+2.4p	160.9
Gold \$	344.15	unch	391.30	QIP	109.7+2.6p	107.0
Gold £	209.89	-0.14	257.55	Base Rates	-	6.75

Call cost 54p per minute at all times. Winner picked at random after time close 30th May '97. (Small Newspapers Publications rules apply. Editor's decision is final.)

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COMMENT

**'If Chancellor Kohl
defies the bankers'
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next year'**

It is one of life's commonplaces that the financial markets thrive on uncertainty, but the latest setback to European Monetary Union shows that it is just not true. What traders like is just enough uncertainty to be able to pull slightly away from the herd. The Bundesbank and the German government, is a hesitant scattering in all directions. It has always been impossible to predict how the grand European project would turn out. It was as if a thick veil of mist hung between now and 1 January 1999. Investors have tended not to think the unthinkable and restricted their speculation to who would be in, who out.

With the German row, the veil is still in place, but the uncertainties are bigger. Will it happen at all? Will it be delayed? Will it go ahead with Uncle Tom Cobbleigh - Italy, that is - and all? Beyond that, how big a political crisis at home do the German and French governments now face? With questions like this unanswered and unanswerable, no wonder everybody has been piling into the Swiss franc.

According to David Marsh, the Robert Fleming European analyst with extensive knowledge of the Bundesbank, this is the most serious disagreement between the central bank and the government since the Korean war.

If Chancellor Kohl defies the bankers' ruling to push through a revaluation of its gold reserves, there can be little doubt the public

would be on the Bundesbank's side. It could thwart Mr Kohl's hopes of re-election next year. Meanwhile, this weekend will bring the outcome of the French elections. President Chirac's gamble of counting on a victory to give him a clear run up to the start of the single currency has failed.

The two events of this week combined must have increased the probability that EMU will not happen substantially. This is bad news for Italian and Spanish bonds, which are likely to reverse their convergence towards German yields. It might well be good for German bonds if the danger of substituting a weaker euro for the mark has receded. It is also likely to boost the pound and gilts to the extent that they are seen as a haven from turbulence as opposed to a portfolio alternative to a weak euro.

The markets made some of these connections yesterday, but reaction was surprisingly muted. Thinking the unthinkable takes a bit of getting used to.

The hole truth and nothing but?

Eurotunnel has turned the humble prospectus into such a work of fiction that shareholders could be forgiven for not believing a single word contained in its latest offering. Even the admission that Eurotunnel units "constitute a high-risk investment" is a model of Anglo-French understatement.

In 1987, when the tunnel was still little more than a twinkle in Sir Alastair Morton's eye and a small bore hole in Shakespeare Cliff, shareholders were promised a dividend in 1993. By 1990 the date of the first payout had slipped to 1998, by 1994 it had moved further out to 2003 (largely on account of the tunnel not being open). Now shareholders are being promised a dividend in 2006 if all goes well but more likely 2010 if the high-speed rail link encounters the same fate as the tunnel.

In reality, the projections are largely meaningless for the vast bulk of the company's 720,000 shareholders. Inflation will have long since eaten up any capital gain that a shareholder who boarded in 1987 might have hoped to realise. The only purpose in hanging on to the stock is for the free travel perks. Now they face a choice between savage dilution on the one hand and oblivion on the other. The prospectus that will start landing on doormats in the next few days is novel in that Eurotunnel is not proposing to raise any new money but rather hand out new shares to its bankers in return for cancellation of debt.

Eurotunnel needs to persuade the equity markets that its latest projections are not only plausible but probable for two reasons. First, if existing shareholders vote down the restructuring then Eurotunnel will go into insolvency. Second, if Eurotunnel's share price fails to recover then the warrants it is about to issue will remain worthless. Unless they are exercised then Eurotunnel is consigned to

handing over ownership of the project to the banks anyway at just the point when the project starts to turn from albatross around neck to licence to print money.

There is one other snag. The restructuring also needs the support of 100 per cent of Eurotunnel's banks to succeed. Previous financial rescues - such as those of News Corp and GPA - show that even tiny banks can punch way beyond their weight in such circumstances. By clearing out 51 of the stragglers and bringing in a handful of big US banks, the agent banks, led by NatWest and the Midland here have made it less likely that Eurotunnel will be held to ransom.

The only other party that needs to be brought on board are the British and French governments, which are being asked to extend Eurotunnel's concession to 99 years. Provided that is forthcoming, the betting is that shareholders will support the deal. The biggest obstacle then becomes investor apathy. A quarter of shareholders need to show up in Paris in July to get the deal waved through. With 563,000 French shareholders controlling 54 per cent of the stock, that may prove the most difficult task of all.

The professor's power failure

At last the 'Alice in Wonderland' approach of the previous government to electricity competition has come to an end. Profes-

sor Stephen Littlechild, who has been presiding over the Mad Hatter's Tea Party that has been obvious for a long time. Not all of the 12 regional electricity companies will be ready for domestic competition next April.

He is trying to embarrass them into action by naming the guilty parties (step forward Southern Electric). Yet even this public shaming may not do the trick. The hurdles to come remain daunting. An old adage in the computer industry is that any project designed to last more than six months will probably never happen at all and will cost tens of millions in the process. Professor Littlechild says that companies still have to take delivery of systems, put them into operation, integrate them with other RECs systems and carry out final testing. Despite all this the Prof stands by the new target of getting all the RECs, with the possible exception of Southern, at least partially on board by July 1998, just three months late.

He may be right, but the RECs themselves clearly do not believe this. In fact, so sceptical is John Devaney, Eastern's executive chairman, that he reckons it will be late 1999 before the process is complete.

Worse still, the RECs are preparing for the mother of all arguments over how much of the cost they can load onto customer bills. If they get their way, and pass up to £900m on to customers, it would almost certainly wipe out any savings from competition.

Strong pound fails to dent trade figures

Diane Coyle
Economics Editor

There was no sign of damage from the strong pound in new figures for trade in March and April. Britain's deficits with non-EU countries last month and the whole world the previous month both shrank unexpectedly.

Export volumes fell in March, although non-EU sales volumes picked up sharply again in April. But import volumes fell by more before they too rebounded. In addition import prices have fallen faster than export prices.

The net result was a decline of £100m in the global trade deficit to £671m in March. Trade with EU countries accounted for the improvement, the UK's shortfall dwindling to a mere £20m.

The non-EU deficit rose in March but shrank from £651m to £335m in April.

The Office for National Statistics said the trend in both import and export volumes was flat. Dharshini David, an econ-

omist at HSBC Markets, said there were few clear signs that the strength of sterling was damaging the trade position yet.

Most economists still expect the damage to show up later this year, following survey evidence indicating declining export orders.

The figures showed a divergence between Britain's trade with the EU countries and with the rest of the world. The pace of growth in exports to Europe has declined, with their underlying growth down to 1.5 per cent in the year to March, in line with the fact that the pound has risen more against European currencies.

Exports to the rest of the world have in fact maintained a healthy pace. They grew by 13 per cent in underlying terms in the year to April.

"Buoyant non-EU exports are unlikely to offset fully the down-trend in EU exports in coming months," said Richard Iley at Hoare Govett.

More surprisingly, growth in import volumes, excluding oil

and erratic items, from the EU has also slowed sharply despite the exchange rate move and the buoyant state of the economy. Likewise, growth in non-EU import volumes has fallen off until April when it surged again.

The surplus on trade in oil improved from £445m in February to £604m in March.

However, this might go into reverse in the next set of trade figures. Falling oil prices and warmer weather slashed Britain's oil and gas revenues by nearly 7 per cent last month to their lowest level since last August, according to the Royal Bank of Scotland.

It said oil production was down by 2.5 per cent to 3.51 million barrels a day, the fifth successive monthly fall, and oil prices fell from \$19.17 to \$17.71 a barrel, 15 per cent below last April's levels.

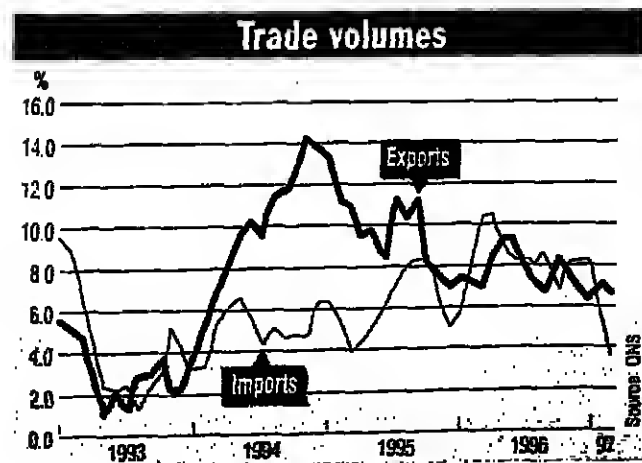
Some City analysts queried the big jump in both imports and exports recorded in April's figures. Most were cautious about reading anything into the surprisingly favourable deficits.

However, economic forecasts for growth this year have all factored in a worsening trade position counteracting the surging domestic economy.

"If sterling's impact is turning out to be more moderate than our forecasts imply, the major offset we expect to booming domestic demand this year may be slipping away," said Adam Cole, UK economist at James Capel.

The combination of helpful trade figures and the row between the Bundesbank and German government took the pound up yesterday.

It ended slightly higher at DM2.7825.



M&G disappoints investors

Sameena Ahmad

M&G's decision to hold its interim dividend was seen as a veiled profits warning by the market yesterday, which marked down the fund manager's shares by 4 per cent to £12.85p. Analysts also downgraded full-year forecasts.

One, who did not want to be named, cut his estimate by 10 per cent from £76m to £68m. "It is ironic given M&G's aggressive stance on dividend growth that they have decided to maintain their numbers. It sends out the wrong signals," he said.

M&G said that its results for the six months to 31 March, had been adversely affected by the underperformance of its UK equity funds, though international, fixed interest and institutional funds all showed above average performance. Pre-tax profits grew 6 per cent to £33.2m with earnings per share up 6 per cent to 30.4p. The dividend is 16p.

Michael McIntock, managing director, said that the profits increase was modest and compared with an average 15 per cent rise in the FTSE All share index. He added: "Below aver-

age short-term performance from a number of our UK funds affected new business levels and depressed the level of both annual and initial fee income."

Mr McIntock said that marketing and commissions expenditure had risen 34 per cent to £24m, mainly reflecting the cost of buying the "no initial charge" business. The group also spent £2m on television advertising to generate wider brand awareness. However, he said that costs were under "firm control", with administration expenses 11 per cent lower than the previous period. Sales of

unit trusts and PEPs fell 44 per cent to £312m.

Analysts said the second-half figures would be lighted by £5m of costs related to sorting out the millennium bug and re-vamping old-fashioned brands.

They said new management was expected to improve M&G's performance, but it was still a clear bid target. One said: "There are plenty of big banks and insurance companies out there who need a fund management arm. M&G won't get into bed with any old foreigner, but they might give themselves up to a UK group such as Halifax."

Family to pocket Ir£40m as Ryanair floats

Tony Ryan and his three sons will collectively pocket more than Ir£40m from the flotation of Ryanair, the Irish airline he founded 12 years ago. The windfall for the Ryan family comes less than a year after they collected Ir£50m for selling a 38 per cent stake in the company to Michael O'Leary, chief executive, and David Bomdeman, the US investor.

Moreover, the value of the family's remaining stake, which

has been reduced from 62 per cent to 35 per cent by the flotation, looks set to soar. The price for the shares on offer in the flotation on the Irish Stock Exchange and on Nasdaq in the US was set yesterday right at the top end of the range, at 195p. However, anticipating a scramble when official dealings begin today, dealers were yesterday quoting a Grey Market price of 300p. The flotation share offer was 18 times oversubscribed.

The Grey Market price values the company at Ir£477m compared with the Ir£310m value put on the company by the flotation price.

James Osborne, a director of Ryanair, claimed that the success of the flotation was "a significant step in establishing Ryanair as Europe's leading low-fares airline".

The company also announced that it had made progress in averting a potentially

damaging all-out strike planned for next Tuesday by ground-handling staff.

The company has 130 ground-handling staff of whom 73 are baggage-handlers. A spokesman for the company said yesterday that 52 out of the 73 baggage-handlers had signed a notice to the effect that they wished to suspend proposed industrial action and to "resolve any issues of concern direct with the company".



Arnault assault: LVMH chief may take on debt to succeed

Arnault tells agm of plan to scupper merger

Nigel Cope
City Correspondent

Bernard Arnault, the chairman of the LVMH luxury goods group, continued his assault on the proposed £24bn merger between Guinness and Grand Metropolitan yesterday at the company's annual meeting in Paris. He told shareholders that LVMH would take on debt to fund his plans to buy Guinness' 34 per cent stake in the Moët Hennessy spirits business as well as the British company's share of the 17 joint ventures between the two groups. He did not put a price on the deal though analysts said they could cost up to £1bn.

Mr Arnault also ruled out any sale by LVMH of its drinks business or the distribution joint ventures in which Guinness has long expressed an interest. "The wines and spirits at the heart of Moët Hennessy are a fundamental part of LVMH's strategy and a disposal is completely ruled out," he said.

Mr Arnault's comments

followed his broadside on Wednesday when he said the Guinness-GrandMet merger represented a change of control which, under the terms of agreements signed in 1994, would trigger clauses that would allow LVMH to buy out the Guinness stakes at a discounted price. This would give LVMH control of Guinness brands in key markets for "at least 10 years".

Mr Arnault assured shareholders that the purchase of the Guinness stakes would not affect the company's results. "This... would have a positive impact on LVMH's accounts," he said.

Mr Arnault, who was the only member of the Guinness board to vote against the Grand Met deal said: "If we oppose this plan, that is because it would lead to the creation of a conglomerate grouping wines, spirits, fast food and canned foods without any coherence among them. We don't see any increase in shareholder value from this operation."

Tony Greener, the Guinness

chairman, stood down as a director of LVMH yesterday. This had been agreed between Mr Greener and Mr Arnault in March. However, he failed to attend the LVMH meeting yesterday, preferring to undertake a tour of Scotland to explain the merger to workers.

His "no show" returned in kind Mr Arnault's action earlier this month when he chose not to attend the Guinness agm due to a conflicting engagement. Mr Arnault told shareholders that Mr Greener had written to him a week earlier to say he would not be attending. Guinness says it has no plans to meet Mr Arnault to discuss the legality of the Frenchman's plans. Likely to be the subject of legal dispute.

Separately, the European Competition Commissioner Karel Van Miert hinted that the merger might face an uphill struggle in Brussels. "It is well known, I think, what the problems are, the competition concerns which have been identified," he said there would be a hearing in a few weeks.

BAe to stop production of Jetstream aircraft

Chris Godsmark

British Aerospace blamed intense international competition yesterday for its decision to end production of the long-running Jetstream regional aircraft at Prestwick in Scotland with the loss of almost 400 jobs.

The move had been expected after Sir Richard Evans, BAe's chief executive, put the future of the revised Jetstream J41 under review because of overcapacity in the regional plane market. The closure will involve 380 job cuts at Prestwick, leaving around 1,000 workers involved in work on larger regional jets and the Nimrod

marine patrol plane. A BAe spokesman said the cuts would involve a mixture of voluntary and compulsory redundancies. A further 200 staff would be moved from Jetstream production to other work.

The company said cost of the reorganisation would be £220m. BAe said it had been done in 1995 it would have produced improvements of £40m a year. The group is thought to have lost around £60m building the plane over the past five years.

The commercial aircraft division has long been the principal drain on BAe's cash reserves, losing £78m in 1996 and £118m in 1995.

The decision was greeted with dismay by Brian Donohoe, the Labour MP for Cunningham South, who asked the Department of Trade and Industry to look at unfair subsidies for regional jets made in other countries. The move is another blow for Prestwick, with complete closure of the site still an option according to BAe in March. Jetstream production capacity at the site had been slashed from 20 aircraft to 10, with 12 currently on the order book.

Separately yesterday there was a jobs boost for Scotland, with news that British Telecom was to build a customer support centre employing 200 staff.

IN BRIEF

Quilter fined by the SFA

The Securities and Futures Authority (SFA) has fined the Quilter & Co stockbroking firm £65,000 for failings in its dividends department and back office. It has reprimanded the firm, which has agreed to pay its costs of £25,000, for the internal control and compliance failings. The watchdog said that during March 1995, a probationary employee "committed offences of false accounting which resulted in a loss to the firm of approximately £38,000". Quilter discovered the offences and notified the SFA in November 1995. The SFA said that it had taken into account that during much of the period Quilter had suffered severe operational difficulties as a result of bomb damage to its premises in April 1992 and May 1993.

Heron invests £100m in City property

Gerald Ronson is to develop two key sites in the City of London at a cost of £100m. Heron International, his privately owned company, has acquired sites at Ludgate Circus and Holborn and will build a combined total of 190,000 square feet of office space by 1999. Heron has already announced plans to redevelop sites in London's Tottenham Court Road and The Strand this year. The company has announced a £500m development programme over the last six months, including sites in Paris, Madrid and Barcelona.

SIB launches hunt for pensions victims

The Securities and Investments Board, the City's top regulator, announced it was mounting a £400,000 advertising campaign aimed at persuading potential victims of the pensions mis-selling scandal to come forward and ask for a review of their personal pensions. The SIB's campaign, under the banner "Have You Lost Out on Your Pension?", comes after figures showing 40 per cent of people eligible for a review have not replied to initial letters from their pension providers. Helen Liddell, the economic minister to the Treasury, said last night she was "delighted" by the campaign.

Profits recover at Berisford

Berisford, the Magneti Kitchens group which issued a profits warning late last year and then saw a takeover approach disappear, has reported improved profits in the six months to 29 March. Underlying profits jumped 14 per cent to £14.5m. Like-for-like sales at Magneti are 6 per cent ahead of the same eight week period last year. The interim dividend was increased by a third to 3p.

Further fall in Japanese output

Industrial output in Japan in April fell 0.4 per cent from March according to the Ministry of International Trade and Industry. In March output fell 0.3 per cent from the previous month, the ministry said. For May the ministry forecasts industrial output will rise 2.7 per cent from April.

Anglo sells Coalite for £24m

Thomas Potts, the printing group in which Nigel Wray has a 22 per cent stake, is buying smokeless fuels manufacturer Coalite Products from Anglo United for £24.3m. It will fund the deal through a £27m placing and open offer and change of the name of the enlarged group to Coalite. The company also plans to move from the Alternative Investment Market to the Official List.

Regulation reform in Japan

Japan's parliament has moved a step closer to stripping the Finance Ministry of its power to regulate the beleaguered financial industry with the approval by the lower house of legislation to create an independent agency to inspect and supervise financial institutions. The agency will be created next year.

Seagram sells \$1.4bn stake

Cathy Newman and
David Osborne

Seagram, the Canadian drinks and entertainment company, yesterday sparked intense speculation that it would soon hit the acquisition trail after it sold half its stake in Time Warner for \$1.39bn (£850m).

The sale of 30 million Time Warner shares, which was handled by Merrill Lynch, was one of the largest-ever single sales of stock. A spokesman for Seagram said the cash would be used for "corporate purposes", including repayment of debt and share repurchases.

However, several analysts interpreted the statement as a signal that Seagram was looking to acquire. It is possible the company may try to buy out Viacom's 50 per cent share of USA Network, the cable television outfit currently split between Viacom and Seagram.

Purchasing USA Network - which consists of the USA Network, a popular cable channel, as well as the much smaller Sci-Fi channel - would give Seagram the opportunity to have its

own television outlet tied to its film empire, Universal Studios. The beverage giant picked an opportune moment to sell the stock, which reached a record high of \$49.13 just over a week ago. Seagram is to retain 26.8 million Time Warner shares for 120 days, but it is thought these may also be disposed.

After announcing the sale, Seagram's president, Edgar Bronfman Jr, said: "Given the recent price improvement in Time Warner stock, we believe this was an appropriate time to reduce the size of our holdings." Time Warner will not be unduly perturbed by the slow exit of Seagram, which is a strong rival in the entertainment industry. The company, headed by Gerald Levin, will also welcome the fact that the stock is being sold to institutional investors rather than to any single buyer with potential takeover ambitions.

Yesterday's events revived rumours that Seagram may try to expand its drinks portfolio in response to the planned merger between Grand Metropolitan and Guinness.

business

Stakis to focus on four-star market after hotel sell-off

Nigel Cope
City Correspondent

Stakis, the hotel and leisure group which bought the Metro-pole hotels from Lomrho last November, is to sell eight of its portfolio as it moves to concentrate solely on the four-star sector. Stakis plans to use the proceeds to invest in all three of its operations – hotels, casinos and its new health and leisure division.

David Michels, chief executive, said that although the eight three-star hotels were profitable they did not fit the strategy of concentrating on four-star, full-service hotels.

The hotels being sold are in Corty, Falkirk, Glasgow Airport, Leeds, London Harewood, Nottingham, Paisley and Perth. In total, they have nearly 800 bedrooms, leaving the group with around 7,000.

Stakis said it hoped to realise

£35m-£40m from the sale, a figure analysts regarded as conservative. Andrew Holland, an analyst at Kleinwort Benson, said the likely buyers would include Jarvis, the hotels group which floated last year but has seen its shares perform poorly. Regal Hotels might be ruled out following its recent £64.5m purchase of 13 three-star hotels from Whitbread.

Mr Holland said the planned sale was logical. "If and when the next hotels downturn comes, it is the three-star hotels that would probably suffer most. You need to be top end or in budget hotels."

Richard Cole-Hamilton, chairman of Stakis, said: "The major acquisition of Metro-pole has been completed, a comprehensive transformation is under way within the casino division and the potential of health and leisure is beginning to be tapped."

He was speaking as Stakis reported an 86 per cent rise in half-year pre-tax profits to £22.2m. The five Metro-pole hotels contributed £11m in their 19 weeks under Stakis ownership. Room rates in Metro-poles improved from £63.80 to £70.28 and occupancy was up from 60.6 to 64.9 per cent.

Profits from existing Stakis hotels, stripping out the Metro-pole deal, were more than 20 per cent ahead at £20.7m. Casino profits fell from £5m to £3.8m largely due to the sale of the Barracuda club in London. On a like-for-like basis, casino profits were £1.2m ahead.

The Living Well health and leisure business, which was acquired last May, contributed profits of £600,000 from its seven clubs.

Group sales were £141m compared with £95.8m in 1995/96. Stakis shares closed 2p higher at 99p.

Community Hospitals sells 14 homes to Bupa

Clifford German

Community Hospitals Group yesterday agreed to sell 14 of its 16 nursing homes to a subsidiary of Bupa for £34m, of which £28.6m is in cash. The balance represents BES investment funds which Bupa is assuming.

The homes were put up for sale by tender in February, marking a change of policy in the group which will now concentrate on its 10 private hospitals around the country. One of the company's two remaining homes will be sold separately and the other will be retained as part of an integrated medical complex.

The nursing homes division

made a £2.8m operating profit on a turnover of £10.5m in the year to the end of last June.

The City thinks Community Hospitals achieved a good price for the businesses and the shares rose 3.5p to 375p, against the market trend yesterday.

Bupa is paying around £44,000 per bed and at least £4m more than the net asset value of the division. Analysts had expected the company to realise around £30m from the disposal.

Alan Dexter, chairman of Community Hospitals, said yesterday: "We are delighted to have been able to secure an exit from the nursing home business so speedily and at a price that reflects our expectations. This

disposal creates the opportunity for us actively to pursue the development of our more profitable hospitals business, where we are confident that the prospects are excellent."

The cash will be used initially to repay debt, which could save the group around £2.7m in interest charges, and will have a modest diluting effect on earnings. However, the company said that the impact on the current year would be negligible.

The cash will be used to buy more small private hospitals. But analysts noted that insurance firms are exerting heavy pressure on contract prices which reflect the countryside oversupply of private hospital beds.

Easy water profits set to dry up

THE INVESTMENT COLUMN

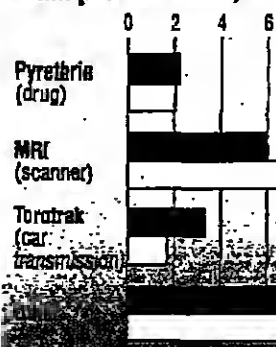
EDITED BY SAMEENA AHMAD

BTG: At a glance

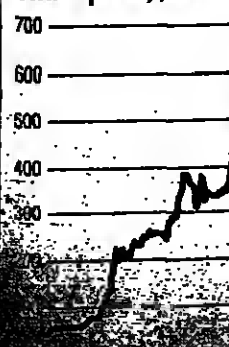
Market value: £579m, share price 657.5p

Five-year record	1993	1994	1995	1996	1997
Turnover (£m)	22.5	22.5	22.5	22.5	22.5
Pre-tax profits (loss) (£m)	(3.86)	4.16	(0.03)	(2.74)	(2.73)
Earnings per share (p)	NI	NI	NI	0.80	0.88
Dividends per share (p)	NI	NI	NI	0.80	0.88

Main product sales, £m



Share price, pence



Excluding the £14.8 per cent exceptional profit from the sale of South West's 23 per cent stake in Westcountry Television, pre-tax profits still rose 69 per cent to £3.6m, with sales up 31 per cent. The instrumentation operation, ELE, was the star, with a 164 per cent surge in profits to £3.7m. ELE illustrates the point well. All the exported water, air and soil testing kits are sold "cash up front", secured on irrevocable letters of credit.

Now compare United Utilities' approach. Leaving aside the £83m write-off on its Bangkok project, United's international businesses are still based on front-end investment to secure long-term earnings. International profits fell 22 per cent to £4.6m. Another hoped-for earner is telecommunications, where investment rose from £5.1m to £15m, with turnover up from £2.2m to £8.2m. United brushes off sug-

gestions that both areas, international and telecoms, are notoriously risky. Its target is for 20 per cent of profits from non-regulated businesses by 2000. An ambitious target, until they point out that it will also include electricity supply, where domestic competition is looming.

The conclusion for investors is disturbing. Clearly the non-diversified firms will see the least dividend growth. Yet diversification also carries dangers. The days of an easy buck from water shares are coming to a close.

BTG takes a long-term view

Who says the City never takes a long-term view? BTG, the technology licensing company, has patchy sales growth, pays a

derisory dividend and has little notion when it could hit real profits. Yet the group, set up to encourage the commercialisation of British inventions, has been one of the UK's most spectacular privatisations. Sold to management in 1992 for less than £15m and floated at 225p in 1995, the shares soared to almost £27 at one point, prompting a five-for-one stock split last December.

The excitement is about the potential of a company brimming with more than 9,000 patented inventions. BTG pans through ideas generated by the drugs, telecoms and engineering giants, buying some 100 of the 500 inventions it looks at a year. The group secures the patents and licenses the products to partners – for a healthy half share of any sales.

Making money from all this can take years, but with partners taking on development ex-

penses, costs and risks are small. However, the upside is not. If only a handful of BTG's products make it, the company could be sitting on a gold mine.

One big hope is Torotrak – a fuel-efficient vehicle transmission system which does away with conventional gearboxes. Toyota and Ford have already licensed the system and, given its potential, BTG will spend around half of yesterday's £25m placing to develop the product, on expectation of a greater royalty.

Of course, there are negatives. Costs of throwing out failed products are considerable and BTG needs to sharpen its focus on fewer ideas to optimise revenue growth. The group will also be less-making for at least the next two years and analysts are undecided on valuations, which depend on complex assump-

tions. But BTG does not bear the risks of a normal technology or drugs company – cash costs are lower, there is less exposure to failure and with a huge number of potential products, BTG can plug revenue gaps when patents expire – notably on the company's Pyrethrin drug next year. Given the heady upside, the market is probably right to think that the shares, ahead 35p to 657.5p, will keep rising.

Siebe engineers a leap in profits

Few companies in the UK are as exposed to the damage being inflicted by strength of sterling as the Siebe engineering group, which draws an astonishing 90 per cent plus of its profits from overseas.

So, even after allowing for some help from acquisitions yesterday's announcement that profits for the year to 5 April were above the top end of City expectations with a 28 per cent leap to £424m was a creditable performance given the £17m hit from translation to sterling.

The company improved margins significantly with the profits improvement achieved on a 20 per cent increase in sales, which just crept over £3bn. Organic profit growth was 19.3 per cent, and both sales and profit growth would have been 5 points higher but for the strength of sterling.

Margins in the control systems division improved from 15.8 per cent to 17 per cent and from 14.6 per cent to 16.3 per cent in temperature and appliance controls, although industrial equipment division only managed to improve from 11 per cent to 11.3 per cent.

Analysts have edged up profit forecasts for the current year to around £480m, which implies 58.9p of earnings compared with last year's 54.1p.

However, the shares, up 10p to 961.5p yesterday, sport an expensive rating of 16.3 times earnings in light of the strong pound, which did not really impact on results until the closing months of last year.

INDEPENDENT EXPERIENCES

Fly to Barcelona and stay for two nights FROM £143

debonair 

The Independent and Independent on Sunday in association with debonair have arranged a super value short break to Barcelona. From just £143 you can fly to Barcelona with debonair and stay for two nights in one of six specially chosen hotels.

One of Europe's most cosmopolitan and avant garde cities, Barcelona is the perfect summertime destination. To experience Barcelona at this special discounted price simply call the number printed below or complete the coupon.

The offer includes return flights from Luton airport and two nights accommodation in one of the hotels listed. All flights must be booked by 30th June and all flights must be taken by 29th September 1997. The schedule of the available flights is printed below. All prices are per person sharing a twin room.

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Booking could not be easier, simply call Travel Plus - ABTA:E1228, ATOL:3470 - on 0171 208 4444 between 9am - 6pm, Mon - Fri and 10am - 4pm, Sat - Sun and quote The Independent offer. Alternatively, complete the booking form and send to Travel Plus who will then call you to confirm your booking details. Payment can be made using all major credit cards and/or personal cheque made payable to Travel Plus Ltd. All prices are correct at time of going to print.



Barcelona's greatest monument, Gaudi's Sagrada Família

Terms and Conditions

All bookings are subject to availability. The listed prices are for travel in June only. For travel during July, August or September there will be a £20 supplement per person. All flights must be booked by 30th June 1997 and all flights taken by 29th September 1997. All prices are per person sharing a twin room. There is a single occupancy room rate which you will be advised upon when booking. All flights are from Luton airport. Prices do not include transfer to and from the airport, or airport tax which currently stands at £8.70. Travel insurance is recommended for all overseas travel and is available from Travel Plus, the booking agents. Passengers are responsible for their own passport (which must be a 10 year passport). Readers should be aware that no changes or amendments are available with this offer. Lost or stolen tickets are non refundable. A full list of terms and conditions is available from Travel Plus, who are responsible for this offer.

The city of Barcelona

Fortune smiles upon Barcelona. The heart of Catalonia was blessed with a spectacular setting. The city is sprinkled along the shore of the Mediterranean, and into the folds of mountains which slide gracefully into the sea. This preposterously pleasant setting has been decorated with wit and audacity. Barcelona is unique.

Barcelona is an easy city to explore with many of the major sights within walking distance of each other. Wandering around and soaking up the streetlife, between regular stopovers in bars and cafes is an enjoyable way of getting to know the city and is the best way to absorb quintessential Barcelona.

At night, Barcelona erupts with an array of nightlife. Waterfront cafes stay open until 5am, and a host of designer bars and clubs all combine to provide an exotic night life experience.

The cities Olympic revamp of 1992 has

opened up the city to the sea front and created an impressive and stylish setting which provides a host of choices for the first time visitor to indulge in some al fresco dining.

In stark contrast to Barcelona's modern Olympic facilities is the city's greatest monument, Antonio Gaudi's Sagrada Família. Begun over a century ago and yet to be completed, the Cathedral still reaches its crescendo above the city.

Artistically, Barcelona has many options. Gaudi, Picasso, Dali and Miro all have strong links with the city. The Museu Picasso, housed within a Medieval Gothic palace, is a testimony to the years Picasso spent in the city amongst Catalonia's avant garde.

The magical mountain of Tibidabo is the peak that presides over Barcelona, protecting the city from the interior. From the summit where a funfair and the Temple of the Sacred Heart jostle for command, you will experience an extraordinary panorama of an exceptional city.

The Hotels

Hotel Santa Marta - 2 Star - 2 nights from £143.
Simple, unsophisticated accommodation, but nevertheless clean and comfortable and furnished to a respectable standard. Situated near the port of Barcelona in the old town.

Hotel Aragon - Superior 2 Star - 2 nights from £155.
A pleasant, clean and comfortable hotel situated in one of the main streets of Barcelona with easy access to any point in the city.

Hotel Roma - 3 Star - 2 nights from £155
A small hotel with traditional character, situated a short metro ride from the historic centre of Barcelona.

Hotel Oriente - 3 Star - 2 nights from £155
A listed building and the city's oldest hotel. Centrally located, the hotel has a large and historically ornate breakfast room.

Hotel Riado - Superior 3 Star - from £159.
A lovely traditional hotel with superb location in the historic centre of Barcelona.

Hotel Gran Catalonin - Superior 4 Star - 2 nights from £169.
A modern style hotel located in the best shopping area of the city.

Please complete the booking form below and send it to: The Independent Barcelona Offer, Travel Plus Ltd., Quay Level, Europe House, 1 East Smithfield, London E1 5AA. You will be contacted on receipt of your form to confirm your reservation. If you have any queries please call 0171 208 4444. The Independent cannot guarantee availability.

Title	Initial	Surname
Address		
Postcode		
Day Tel	Eve Tel	
Names of passengers		
Date of departure from Luton Airport		
Date of return from Barcelona Airport		
Name of hotel		
How many nights do you wish to stay?		
Preferred flight time (out)		
Preferred flight time (return)		
Credit card no. <input type="text"/>		
Expiry date <input type="text"/> Signature <input type="text"/>		
Declaration I am over 18 years of age and declare that all the information on this form is correct to my knowledge, but may be subject to change where there is no availability on my chosen booking.		
Signature <input type="text"/>		Date <input type="text"/>

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business

LIG targets acquisitions

Sameena Ahmad

London International Group said yesterday that it saw significant opportunities for further acquisitions in its core condom and industrial gloves markets which would ensure double-digit earnings growth over the next few years.

Nick Hodges, chief executive, said the group was considering opportunities in a range of countries, including China, the Middle East, Eastern Europe and South America, to be funded from the group's strong internal cash flow.

He said that LIG's full-year results, reported yesterday, showed the group had moved from recovery to "a new phase in its development". Strong growth in condoms and medical gloves helped LIG lift underlying full-year pre-tax profits by 36 per cent to £36m on sales 11 per cent ahead to £241m. The group's shares rose over 8 per cent to 169.5p.

However, analysts downgraded their profit forecasts for 1998 by around £5m to £47m, reflecting LIG's plans to increase spending on advertising, roll out Avanti, the group's new polyurethane condom, into Europe and sterling's strength.

Mr Hodges said that although the US condom market remained difficult, with customers loyal to the leading brand Trojan, which has a 60 per cent market share, LIG was con-

tinuing to promote its Durex brand "as a strong number two". This would involve re-branding its current six products under the Durex name. Analysts estimated the rebranding, the roll out of Avanti from the US into Europe and the upgrading of the Aladin examination glove facility, bought last year, would push capital expenditure up from £16m this year to £20m in 1998.

However, they said the group should benefit from cost savings from integrating the Alabama condom factory in Alabama with the group's existing site.

Sales of the group's condom business rose 7.2 per cent overall to £130m, with sales in Asia Pacific, up 33 per cent, particu-

Race for the euro gets under way with Tony Bullimore on board

PEOPLE & BUSINESS



Flying a European ensign: The yachtsman Tony Bullimore

The euro may not yet be linked in British thinking with its sporting heroes, but in Cheltenham this Sunday one of them, the yachtsman Tony Bullimore, will be flying its flag as he takes to the sea again.

Made famous by being rescued from the icy southern ocean in January, Mr Bullimore is taking part in the Round Europe race. Another competitor from the race in which Mr Bullimore's yacht capsized, Pete Goss, was also supposed to do his bit for the euro by teaming up with the man he rescued, Raphael Dinelli.

But Mr Goss is deep in negotiations for a book contract which could secure the family fortunes he put on the line to compete in that Vendée Globe single-handed race.

So Mr Bullimore finds himself part of European Commissioner Yves-Thibault de Silguy's mission to promote the slogan: "The euro - a currency for Europe."

The race from Cheltenham to Rotterdam, Kiel, Arendal in Norway, Oslo and Stockholm is, says Mr de Silguy, a "dynamic and intelligent initiative" which will "heighten the awareness of the citizens of Europe to the birth of the euro".

Here is a rich vein to be mined if a queue of cricketers, footballers, even snooker and darts players, forms outside his Brussels door as he adds: "At the same time as taking part in a great sporting event, the public will be able to obtain concrete information about the future single currency." As to discovering the euro through sport, why not?

You know who your friends are in the utility business. Ask Ken Harvey, the recently appointed chairman of South West Water who made his name by leaving Norway with almost £2m after the takeover by North West Water which led to the formation of United Utilities.

Mr Harvey lost no time yesterday in warring against a far Eastern misfortune suffered by his former employer.

Castling a dubious eye on North West's disastrous foray into the international water construction business (provisions of £83m on one contract in Bangkok), he said: "We decided long ago that the mega international projects far away from home are not suitable for a company our size." ... contrasting North West Water's experience and the now legendary profitability of South West Water's non-regulated businesses.

Luckily, journalists did not have to waste time putting Mr Harvey's theory to the test. For only a few minutes after he had put the boot in at a press conference at the Whitbread Brewery in the

City, it was United's turn to entertain the press pack a few yards down the road. United's directors, unsurprisingly, responded to questions about money lost down the Bangkok drain with a somewhat muted "disappointing".

One of the stalwarts of financial public relations, Lowe Bell Financial's senior director, "Jem" Miller, has written to clients advising them he is retiring from the front line at the end of the year, when he reaches the ripe old age (for spin doctors) of 63. Increasing difficulty making his fighting weight is thought to have played a part in his decision.

Recipients of the news include Highland Distilleries and Tate & Lyle, clients he has worked with for 30 years.

There is still a trace of Zimbabwean in his accent, and he trod the boards as a professional actor in Darkest Africa, playing among other parts Hotspur in *Henry IV Part 1* at Kew on the Copper Belt. But, as Michael Caine might say, "not a lot of people know that."

He started work at Streets in 1972 when it had no clients at all, and later built his own business, which he sold to the American specialists in consumer PR Burson Marsteller a decade ago, before moving on to Lowe Bell in 1983.

He will not be entirely lost to Fleet Street in general or El Vno's, and he will apparently consider consultancy work. He is a keeper of the Quai, a society that is to Scotch whisky what the Chevaliers de Baseline is to Burgundy. For reasons best known to himself he is an honorary Lieutenant-colonel of the Alabama State Militia, although it is unlikely he has seen active service, and he could certainly earn a fee as a doppelganger for Helmut Kohl, the redoubtable German Chancellor, although Mr Miller insists he has more hair than Mr Kohl.

And talking of spin doctors we hear that Damian McCrystal, the former City hack, is looking so respectable these days that he is being mistaken for one of Andrew Regan's lawyers rather than what he really is, the failed Co-op leader's PR man. Not that he will be fulfilling that function for much longer. With the Co-op hit sunk in a welter of litigation, Mr McCrystal's services will no longer be required. He is due to leave in July but is tight-lipped about his next move. He denies, however, that he is seeking a return to journalism. "I hear that rumour but it's not true." Perhaps he could get a job at the Co-op.

IN BRIEF

US deal boosts Xenova's shares

Shares in Xenova, the fledgling biotechnology company, rose 10 per cent to 322.5p after news that it had signed its second agreement with Warner-Lambert to supply the US pharmaceuticals giant with chemicals to develop a cancer drug. Xenova has the world's largest collection of natural chemicals based on mushrooms, plants and bacteria. The deal is the latest of a surge in alliances between biotech companies and larger drug groups eager to exploit innovative technology. Wendell Wierenga, vice-president of research at Warner-Lambert's Parke-Davis division, said: "Through our collaborations with Xenova we are expanding Warner-Lambert's access to a broad diversity of naturally derived compounds." Xenova's other agreements include Zeneca and Bristol Myers Squibb.

Assets appreciate at Raglan Properties

Sir Wilfrid Newton, chairman of Raglan Properties, said the company intended to take advantage of improved market conditions to continue to restructure its portfolio and to proceed with its development and refurbishment programme. Speaking after the group announced a drop in full-year pre-tax profits from £2.4m to £2.1m, but a 7.5 per cent rise in net asset value to 33.6p per share, he said: "Rental growth and the active management of the portfolio will ensure that Raglan makes substantial progress in this year." Development and refurbishment work set to come on stream this year includes a shopping centre in Banbury, Oxfordshire, and Hodge House in Cardiff, Wales. The dividend is held at 1.1p.

Strong pound puts pressure on Tring

Tring, the music, video and CD-Rom publisher and distributor, announced a drop in annual taxable profits from £3m to £500,000 but said the results were in line with market expectations. Philip Robinson, chief executive, said that in the past year the group had made "significant further progress" in addressing the problems of the past and establishing a sound platform for the future. However, the strength of sterling over the past year had put pressure on export sales. In most of the countries where Tring trades sterling has appreciated by more than 20 per cent against local currency. Group results for April and May, though, are already ahead of last year.

TLG turns light off in Germany

Cathy Newman

Up to 350 jobs are being lost across the continental European operations of TLG, the commercial lighting group formerly known as Thorn Lighting Group. Most of the job losses will result from the closure of its German manufacturing operation.

The company, which issued a profits warning last September, has made an exceptional provision of £13.5m for the rationalisation of its German business. The German market will be supplied from TLG's other sites in Europe. TLG said the move would lead to annualised savings of £4m in 1998/99, and £5m on completion in 1999/2000.

Analysts were surprised by the German closure, but the group's full-year results, announced yesterday, were slightly ahead of market expectations which had been downgraded in the wake of last year's warning. Profit before tax was £22.1m, compared with £23.6m last year, but the exceptional provision took it down to £8.6m.

Analysts said sentiment towards the stock remained poor, blaming tough competition in

the electrical market. However, some took solace from TLG's enthusiasm about growth in the Far East and China. In Asia, where TLG entered into a joint venture with Jardine Pacific last year, sales grew on a like-for-like basis by more than 30 per cent.

There was also cause for guarded optimism in the UK as the company managed to push through a price increase despite competitive conditions and sales remained virtually static at £130.7m. Sales of emergency lighting in the UK had doubled over the past five years, TLG said.

The company's chairman, Hamish Bryce, said he had no contact with Wassall, the glue to cable and bottlenecks conglomerate, since it bought a 4.1 per cent stake in TLG in February this year.

But some industry commentators speculated that Wassall, which spent £7m on the group, could launch an outright bid. Mr Bryce has said in the past that he would consider any hostile bid. TLG is pinning its hopes on the launch of new products. Products developed over the past three years now account for 40 per cent of TLG's turnover.

Foreign Exchange Rates

Country	Spot	1 month	3 months	D-Mark	Spot
US	1.5387	11.9	32.09	1000	0.5884
Canada	2.9229	85.81	81.7	1300	0.6934
Germany	2.7820	79.73	241.21	18667	105.12
France	6.5985	280.234	736.706	5.7882	350.339
Italy	272.25	103.16	40.56	1671.7	410.010
Japan	90.16	104.10	310.304	16.57	67.493
ECU	14.299	28.25	88.83	14.71	14.75
Belgium	37.138	34.76	102.56	15.61	15.61
Denmark	10.525	280.00	830.730	6.465	380.340
Netherlands	3.105	88.82	271.558	19.932	42.40
Ireland	1.0893	3.42	12.526	8.5	0.3836
Norway	11.588	330.260	850.880	70.72	163.83
Spain	235.47	21.11	68.31	14.36	103.47
Sweden	12.020	240.10	750.420	70.78	156.01
Switzerland	2.112	97.50	291.279	14.935	143.143
Australia	2.135	9.3	30.20	13.985	4.6
Hong Kong	12.716	80.33	334.37	7.076	8.12
Malaysia	4.170	0.4	0.0	2.508	62.86
New Zealand	2.3745	2.5	2.74	14.481	31.33
Saudi Arabia	6.6488	0.0	0.0	3.7538	0.8525
Singapore	2.3453	0.0	0.0	14.303	80.55

Other Spot Rates

Country	Spot	Dollar	Country	Spot	Dollar
Argentina	15400	0.0595	Nigeria	140555	85.7000
Austria	135802	114.13	Oman	0.675	0.3350
Brazil	17821	10.743	Pakistan	66.614	203.9800
China	83.0708	8.2524	Philippines	52.9280	26.9280
Egypt	5.5748	34.009	Portugal	281.783	17.850
Finland	8.3977	5.1999	Qatar	5.9977	34.606
France	237.011	20.510	Saudi Arabia	6.6488	0.8525
Germany	446.298	27.220	South Africa	72.317	4.700
Greece	16.9591	35.750	Taiwan	42.522	27.9000
India	0.4857	0.0222	UK	1.0000	1.0000

Forward rates quoted high to low are at a discount; subtract from spot rate.
Rate quoted low to high are at a premium; add to spot rate.
*Dollar rates quoted as bid/offer.
For the latest foreign exchange rates call 0891 123 3033.
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Interest Rates

UK			Germany		250%	US		8.75%	Japan		0.50%
Base	6.25%		Discount		450%	Prime		5.00%	Discount		
France			Lombard			Discount		6.25%	Belgium		2.50%
Intervention	3.15%		Canada			Fed Funds			Discount		3.00%
Italy			Prime		4.05%	3-64			Central		
Discount	75%		Discount		5.75%	10-Day Repo	5.25%		Switzerland		
Netherlands			Denmark			Sweden			Discount		1.00%
Advances	2.70%		Discount		3.25%	Repo (Ave)	4.10%		Lombard		4.25%

Bond Yields

MSRB Medium Research

Bond Yields

Country	5yr	10yr	15yr	20yr	30yr	Country	5yr	10yr	15yr	20yr	30yr
UK	7.0%	7.08%	7.25%	7.25%	7.25%	Netherlands	6.25%	6.25%	6.25%	6.25%	6.25%
US	6.63%	6.63%	6.25%	6.25%	6.25%	Spain	7.00%	7.00%	7.00%	7.00%	7.00%

Money Market Rates

Origin	7 day	1 month	3 months	6 months	1 year
Interbank	5.75%	5.75%	5.75%	5.75%	5.75%
Local Authority	5.75%	5.75%	5.75%	5.75%	5.75%

Tourist Rates

Country	£ Buy	£ Sell	Country	£ Buy	£ Sell
Australia	2.0780	2.0780	France	6.5500	6.5500
Austria	13.7600	13.7600	Germany	1.9360	1.9360

Life Financial Futures

Contract	Settlement	High/Low	Est/Cont	Open
Long Gt	112.46	112.45	112.46	112.46
Short Gt	112.46	112.45	112.46	112.46

Life FTSE 100 Index Option

Series	Settlement	High/Low	Est/Cont	Open
Jul	114.03	114.03	114.03	114.03
Aug	114.03	114.03	114.03	114.03

Energy

Contract	Settlement	High/Low	Est/Cont	Open
Brent Crude	17.25	17.25	17.25	17.25
WTI	17.25	17.25	17.25	17.25

Commodity Indices

Index	Settlement	High/Low	Est/Cont	Open
Indus	179.00	179.00	179.00	179.00
Agri	179.00	179.00	179.00	179.00

Industrial Metals

Contract	Settlement	High/Low	Est/Cont	Open
Aluminum HG	1605.0	1605.0	1605.0	1605.0
Aluminum AL	1470.0	1470.0	1470.0	1470.0

Precious Metals

Contract	Settlement	High/Low	Est/Cont	Open
Platinum	416.00	416.00	416.00	416.00
Gold	422.50	422.50	422.50	422.50

Agricultural

Contract	Settlement	High/Low	Est/Cont	Open
Cocoa	1012	1012	1012	1012
Wheat	2500	2500	2500	2500

Other Softs

Contract	Settlement	High/Low	Est/Cont	Open
Milk	105.0	105.0	105.0	105.0
Soybean	105.0	105.0	105.0	105.0

Latest Unit Trust Prices

Stock	Sell	Buy	Yield	Stock	Sell	Buy	Yield
ABN AMRO	10.00	10.00	10.00	ABN AMRO	10.00	10.00	10.00
ABN AMRO	10.00	10.00	10.00	ABN AMRO	10.00	10.00	10.00

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